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FOURTEENTH ANNUAL GENERAL REPORT
OF THE COUNCIL
OF THE
CORPORATION OF FOREIGN
BONDHOLDERS.

Incorporated on the First of August, 1873,

By Licence of the Board of Trade.

For the Year 1886.

TO BE SUBMITTED TO THE
GENERAL MEETING OF MEMBERS OF
THE CORPORATION,
CONVENED FOR
THE 1st of MARCH, 1887, at 12 O'CLOCK, NOON,
*At the Councilhouse, 17, Moorgate Street,
in the City of London.*

LONDON:
COUNCILHOUSE, No. 17, MOORGATE STREET,
FEBRUARY, 1887.

MEMBERS OF THE COUNCIL.

RIGHT HON. EDWARD PLEYDELL BOUVERIE, *Chairman.*

SIR JOHN LUBBOCK, BART., M.P., F.R.S., } *Deputy*
RICHARD BIDDULPH MARTIN, ESQ., } *Chairmen.*

GENERAL SIR GEORGE BALFOUR,
K.C.B., M.P.

CHARLES E. BARNETT, ESQ.

FRANCIS BENNOCH, ESQ.

RIGHT HON. G. A. F. CAVENDISH
BENTINCK, M.P.

LIONEL N. BONAR, ESQ.

THE RIGHT HON. R. BOURKE.

HYDE CLARKE, ESQ.

JOHN HENRY DANIELL, ESQ.

ROGER EYKYN, ESQ.

W. R. FARQUHAR, ESQ.

THE RIGHT HON. LORD KINNAIRD.

W. R. MALCOLM, ESQ.

HIS HONOUR JUDGE SNAGGE.

CORNELIUS SURGEY, ESQ.

GEORGE CAVENDISH TAYLOR, ESQ.

WILLIAM TROTTER, ESQ.

SIR HENRY W. TYLER, M.P.

LT.-GENERAL J. L. VAUGHAN, C.B.

Consulting Secretary.

HYDE CLARKE, ESQ.

Secretary.

CHARLES O'LEARY, ESQ.

Solicitors.

MESSRS. TRAVERS SMITH & BRAITHWAITE.

MESSRS. NORTON, ROSE, NORTON & CO.

Notary.

WILLIAM GRAIN, ESQ.

Auditors.

MESSRS. COOPER, WINTLE & CO.

Bankers.

MESSRS. ROBERTS, LUBBOCK & CO.

The Corporation of Foreign Bondholders.

NOTICE OF GENERAL MEETING.

NOTICE IS HEREBY GIVEN that the FIFTEENTH ORDINARY GENERAL MEETING of the CORPORATION OF FOREIGN BONDHOLDERS will be held at the COUNCILHOUSE, No. 17, Moorgate Street, in the City of London, on TUESDAY, the 1st day of MARCH, 1887, at Twelve o'clock, noon, for the following purposes :—

- (1.) To consider the Report of the Proceedings of the Council, and the Statement of Accounts made up to the 31st December, 1886.
- (2.) To elect four Members of the Council, in the place of Lt.-General J. L. Vaughan, His Honour Judge Snagge, Mr. Hyde Clarke, and Mr. W. R. Farquhar, who retire by rotation, but, being eligible, offer themselves for re-election.
- (3.) To elect Auditors for the ensuing year. Messrs. Cooper, Wintle, Sainsbury & Co., the retiring Auditors, offer themselves for re-election.
- (4.) To transact all such other business as may be transacted at Ordinary Meetings of the Corporation, and to pass Resolutions thereon.

By order of the Council,

CHARLES O'LEARY,

Secretary.

COUNCILHOUSE,

17, MOORGATE STREET, E.C.,

17th February, 1887.

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FOURTEENTH REPORT

OF THE

CORPORATION OF FOREIGN BONDHOLDERS.

THE Council has the honour to present its Fourteenth Annual Report to the members of the Corporation.

1. A reference to the Balance-sheet will show an excess of Income over Ordinary Expenditure of £9,695 14s. 2d. of which £9,000 has been added to the Corporation Fund.

2. In the Appendix to this Report will be found the usual statistical and other information concerning those different States in the public Debts of which the Corporation, and the Committees domiciled in its office, are concerned.

TURKEY.

3. In spite of the uneasiness, felt by all who are interested in the welfare of Turkey, and the uncertainty, which has, throughout the whole past year, attended the prospects of permanent peace in the East, the Council is pleased to be able to note that the Revenues placed under the direct administration of the Representatives of the Bondholders for whose benefit they were ceded, have considerably exceeded the yield of the preceding year. When, owing to political exigencies, a large proportion of the most able-bodied of the male population has been withdrawn from its ordinary occupations for military service, such an occurrence proves an elasticity of Revenue, and a skilful Adminis-

tration of it, which lighten up what might otherwise have been a gloomy prospect.

4. In the Appendix, under "Turkey," will be found a comparative statement, showing the monthly receipts encashed at the Central Office in Constantinople during the first ten months of the financial years 1885-86 and 1886-87 respectively—the Turkish financial year commencing on March 13th. It should at once be remarked that, during the first seven months of the year 1885-86, the Eastern Roumelian Annuity (arbitrarily fixed by the provincial authorities at £T.185,000 per annum) was regularly paid. Since the unfortunate political movement which took place in September, 1885, payments from Eastern Roumelia have entirely stopped. In order therefore to institute a comparison between the Revenues administered by the Council in Constantinople, the equivalent of seven monthly instalments of that security have to be deducted for the year 1885-86. The figures will then be found to stand thus. Apart from the Eastern Roumelian Annuity the revenues, after deduction of provincial expenses of collection, accruing up to the end of December, in 1885-86, amounted to £T.1,632,597, in 1886-87 to £T.1,667,126, showing an increase for the latter year of £T.31,529. This however does not give the whole net increase obtained from the five revenues under the direct administration of the Council in Constantinople. The tobacco-tithe, it will be remembered, is now no longer directly collected by the Council, but is administered by the Company to which the Tobacco-Régie is conceded. Owing to a considerable fall in the prices of tobacco, and to other causes, the sums obtained from this source show a marked decrease on those taken during the preceding

year, amounting, for the ten months, in round numbers, to £T.29,000. The "Five Indirect Contributions" have therefore increased, in round numbers, by £T.60,000. The Report of the Council of Administration, based on the definitive accounts, which will be published in due course, will give full details as to this encouraging result. According to reports received from Constantinople, it is due chiefly to a marked progression in the revenues collected under the heads of Stamps and Spirits, and also to an improvement of the Silk tax. The poor grape-harvest in France, and the always increasing demand for wine from that country, afford good grounds for the hope that the export trade of wine from Turkey may still be capable of no small development. In regard to the Stamps revenue, it is interesting to note that the negotiations between the Porte and the foreign Embassies have latterly entered upon a more active stage, and there is much hope that ere long the new Stamp-law will be definitely accepted by the Powers. It is estimated that the increase which will ensue on the arrangement of this long pending question will amount to something like £T.50,000 per annum.

5. Less encouraging results are reported concerning the Tobacco Régie. As will be seen from the table of receipts given in the Appendix, the revenue of this Institution remains nearly stationary, and it is to be feared that a deficit will again be shown for the current year. It should, however, be remarked that hitherto the Régie has been working under great disadvantages. Although the cultivators have been laid under the obligations consequent upon the institution of a tobacco monopoly, they have, until quite recently, incurred no penalties for non-fulfilment

of these obligations. Contraband, under conditions so favourable, could not but flourish. Moreover, the Régie has been left to its own resources to contend against the smugglers, having received practically no assistance from the Government in the matter. All this has lately changed for the better. The Régie has now, by Imperial Iradé, been endowed with full powers to deal summarily with smugglers, whilst an advantageous arrangement has been entered into with the Government as to efficient co-operation to be afforded by the police force. These measures have been taken too recently to show as yet any practical results. But it may reasonably be hoped that their effect will be very advantageous, and that the period of deficits is drawing to a close.

6. The *Reftieh* question (Tobacco) raised by the Egyptian Government by its Customs Conventions of 1884, alluded to in past reports, has not yet been settled, and is a source of great loss both to the Régie and to the Public Debt. This revenue, which was ceded to the Régie on its formation, has fallen from £T.150,000 (in round numbers) in 1883, to about £T.30,000 in the current year. So serious a loss befalling the Régie at its very outset, might not improbably have caused its complete failure, had it not been for the arrangement come to with the Public Debt, mentioned in Mr. Vincent Caillard's Report for 1885-86 (p. 10). The series of advances which the Public Debt agreed to make by the Convention thus entered into, cannot for the present be looked upon as other than a practical diminution of the fixed rent of £T.750,000, which the Régie originally undertook to pay. Coming upon the stoppage of payments by Eastern Roumelia, this serious loss has dealt a heavy blow at the action of the Sinking

Fund. Happily it now appears probable that the Egyptian Government is anxious to come to a definite arrangement with the Porte on the commercial relations of Egypt with Turkey. The *Reftieh* question would form naturally an important part of such an arrangement, and it is therefore permissible to hope that this loss may shortly be alleviated, if not entirely done away with.

7. Amongst the revenues ceded to the holders of Turkish Bonds was the excess to accrue from new Commercial Treaties to be concluded with the various Powers. The Council is glad to learn that the negotiations in relation to these new Treaties are now well advanced. Those with Germany are nearly concluded ; with France and England, actively proceeding ; and although in the cases of Austria and Portugal the existing Treaties have still some years to run, it appears probable that those Powers will be willing to conclude fresh treaties forthwith, and that the new *régime* will not be much longer delayed. There is no doubt but that the Customs Revenue will be very considerably increased under the arrangements proposed, and Turkish Bondholders will have good reason to congratulate themselves when the new Treaties come into force.

8. It is foreseen that the net result of the year ending on March 13th, 1887, will be that the interest of one per cent. on the capital, as reduced by the Decree of December 8/20, 1881, will be paid regularly as hitherto and is in no way in jeopardy. The action of the Sinking Fund will be found to have been greatly hampered by the unfortunate events in Eastern Roumelia and Bulgaria, yet not altogether suspended. The fact that, in spite of the loss of £T.185,000 suffered during the current year,

owing to the suspension of payments by Eastern Roumelia, and an advance of £T.100,000 to the Tobacco Régie, on account of losses on the *Reftieh* tax, the revenues have produced sufficient to continue, however partially, the redemption of the First Group, cannot be regarded as other than a most hopeful sign. Purchases were effected in September, 1886, to the amount of £T.100,000 (reduced capital value), and, notwithstanding all contrary conditions, it is still not improbable that a few thousand pounds may still be forthcoming in March to continue the redemption. A succinct statement is annexed, showing the successive redemptions of the 1858 and 1862 Loans, and of Series A, effected hitherto.

9. Whilst affairs in the East are in so unsettled a state, it is hardly to be hoped that any settlement of the contributive part of the Debt to be assumed by the Balkan States and Greece can be arrived at. Nevertheless, the results obtained, and the observations made, by Mr. Vincent Caillard during the journey undertaken by him to Sophia in July, 1886 (see Report for 1885-6), do not permit this Council to despair of this most important question being arranged. The matter is, moreover, engaging the most serious combined attention of this Council, and of the various Foreign Syndicates and Bondholders' Committees. Petitions have been, by their care, drawn up for presentation to the Governments of the Powers signing the Treaty of Berlin, whose subjects are interested in the Turkish Debt. The petition in each country is to be signed by all such Bondholders as may wish to attach their signatures. A copy of the English petition has been lying at the offices of the Council, for signature by any Turkish Bondholder anxious to

obtain the rights conferred upon him by the Decree of December 8/20, 1881, on the basis of the Treaty of Berlin. This petition has been sent to the Foreign Secretary.

10. During the past year the Turkish Government, having experienced rather heavy financial pressure, owing to extraordinary military expenditure, negotiations were at one time opened with the Council of Administration at Constantinople for the raising of a new Loan, it having been considered by the Porte that an additional Guarantee would be offered, and a more advantageous rate of issue therefore obtained, were the administration of the revenue secured for the service of the new Loan, to be placed in the hands of that Council. This mark of the confidence reposed by the Porte in the Representatives of the Bondholders cannot be otherwise than gratifying to the latter. The negotiations were carried on actively during a few months, and it appeared that they were on the point of coming to a satisfactory conclusion when, owing to a change in the Ministry of Finance, the Porte altered its intentions, and the affair is now entirely in abeyance.

11. In connection with this matter, it is interesting to note that the arrangement concerning the Unpaid Drawn Bonds of the 1863, 1865, and 1873 Loans, alluded to in past reports, was intimately bound up with the issue of the proposed Loan, and, had this taken place, this question, discreditable alike to the Turkish Government and to the original Contractors of the Loan, would have been finally and satisfactorily settled. It is a subject of some disappointment to the Council that, owing to the abandonment of the Loan, the delicate and troublesome negotiations which had been carried on in regard to these Bonds has so far led to no practical result. The matter has not,

however, been allowed to drop, and there is no reason to doubt that, with patience and attention, an arrangement will be arrived at.

MEXICO, COSTA RICA AND PARAGUAY.

12. Among other subjects which have engaged the attention of the Council during the past year, and which through their intervention have reached a practical and satisfactory conclusion, are the debts of Mexico, Costa Rica and Paraguay.

The capital amount of the three Debts thus rescued from what seemed only a short time ago a chronic state of default, exceeds eighteen millions sterling, whilst the interest accruing on it, and already in course of payment, amounts to upwards of £325,000 per annum, and will increase to £540,000 from the year 1890.

These figures afford abundant evidence of the importance and extent of the work accomplished by the Council during the last twelve months, and of the advantage to be derived by scattered and uncombined Bondholders from such an institution as this Corporation. At the same time, it is only just to admit that the loyal co-operation given to the efforts made to come to an arrangement, and the conciliatory spirit displayed by General Mena, Señor Decoud and Mr. Keith, the respective Representatives of Mexico, Paraguay, and Costa Rica, contributed in no small degree to the success of these several negotiations.

VIRGINIA.

13. In addition to these Arrangements, the attention of the Council has been continuously directed to the settlement of other State Debts, of which a synoptical table is given in the Appendix, showing the amount of each Debt

and the interest in default. Among these is the Debt of the State of Virginia, which, both as regards the amount at stake, and the labour it has entailed on the Council, and the Committee acting in conjunction with the Council, has been the cause of serious anxiety.

The question, so far as regards the *legal* vindication of the right of the Bondholders, may be said to have terminated in their favour by the decision of the Supreme Court of the United States upon the main point at issue, namely, the obligation of the State to fulfil the Contract made with its creditors, notwithstanding State Laws to the contrary. But the enforcement of that decision has encountered a strenuous opposition on the part of the State Executive, which, though not unexpected, has delayed the fruition by the Bondholders of their hard-earned victory, and imposed on them fresh pecuniary sacrifices. The detailed Report in the Appendix contains an account of the different phases which this important question has gone through during the year just elapsed.

COUNCIL.

14. In accordance with the provisions of the Articles of Association, the Lieut.-General J. L. Vaughan, C.B., His Honour Judge Snagge, Mr. Hyde Clarke, and Mr. W. R. Farquhar retire from the Council by rotation, and being eligible, offer themselves for re-election.

15. Messrs. Cooper, Wintle, Sainsbury & Co., the retiring Auditors, also offer themselves for re-election.

E. P. BOUVERIE,
Chairman.

CHARLES O'LEARY,
Secretary.

17th February, 1887.

APPENDIX TO REPORT.



COMMITTEE ON THE CORPORATION FUNCTIONS AND POWERS.

W. H. Bishop, Esq., *Chairman.*

F. Bennoch, Esq. .

The Right Hon. E. Pleydell
Bouverie.

L. Cohen, Esq.

Robert Giffen, Esq.

G. Herring, Esq.

Sir J. McKenna, M.P.

R. B. Martin, Esq.

A. W. Ray, Esq.

Lieut.-Gen. J. L. Vaughan, C.B.

Walter Wren, Esq.

COLOMBIA, REPUBLIC OF, (NEW GRANADA.)

STATEMENT OF COLOMBIAN $4\frac{3}{4}$ PER CENT. EXTERNAL
DEBT OF 1873.

Original Amount	...	...	...	...	£2,000,000
Bonds drawn and paid off previously to default	...	...	...	...	86,500
Bonds outstanding	...	...	...	...	<u>£1,913,500</u>

Arrears of Interest.

Certificate for Balance of Coupon No.	£	s.	d.
26 at 1s. 9d. per cent. ...	1,679	18	3
32 Coupons, Nos. 27 to 58 both inclusive	727,130	5	0
Coupon Certificates (1st to 4th Coupons)	8,665	6	0

Total	<u>£737,475</u>	9	3
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Principal of Debt	1,913,500	0	0
Arrears of Interest and Certificates	737,475	9	3

Grand Total	<u>£2,650,975</u>	9	3
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Colombian Committee.

The Right Hon. E. Pleydell
Bouverie, *Chairman*.
L. N. Bonar, Esq.
M. Castello, Esq.
Hyde Clarke, Esq.
Roger Eykyn, Esq.
L. R. Lack, Esq.
Christopher Rowlands, Esq.
G. N. Strawbridge, Esq.
C. Surgey, Esq.

Lieut.-Gen. J. L. Vaughan, C.B.
E. Wright, Esq.

Secretary.

Charles O'Leary, Esq.

Bankers for the $4\frac{3}{4}$ per Cent. Loan.

London and County Bank.

Agent at Bogotá.

Arthur Malo O'Leary, Esq., of
H.B.M.'s Legation.

It is with regret that the Council have again to report that the Government of this Republic has not ratified the Agreement entered into on the 15th August, 1884, between Señor Colunje, on behalf of the Colombian Government and the Council. A Law was, however, issued shortly after the suppression of the late revolution, which provides for the settlement of the Debt upon the following basis. A New Loan for £3,000,000, at a rate not to exceed Six per Cent., is proposed to be raised in order to extinguish the present External Debt, and the balance is to be handed to the Government to redeem the paper currency issued, and otherwise assist in tiding over their present financial difficulties. As a guarantee, for the service of the New Loan, the Government propose to assign the revenues to be derived from the Panama Canal, and also a proportion of the Customs Receipts of the Republic.

The Council learn that General Rafael Reyes, the Special Commissioner of the Republic, has arrived in Paris, and may be expected soon in London to negotiate an arrangement on the above basis.

A Law has been passed, subsequently to the above, by Congress, by which the National Bank of Colombia is authorised, pending the result of General Reyes' mission, to issue paper notes to the value of \$1,000,000, in monthly instalments of \$200,000, which must be duly notified in the official Gazette. When necessary, worn out notes are to be cancelled and replaced by the issue of equivalent amounts of new notes.

The details of the new Constitution were published in August last. Amongst other alterations it provides for the extension of the term of Presidency to six years. Dr. Rafael Nunez has been elected President under the new

Constitution. It also abolishes the Federal régime, which has existed since the year 1858, and provides that the country which has hitherto been known as the United States of Colombia, shall in future be called the Republic of Colombia.

The statistical information from Colombia is of the most unsatisfactory character. It is not possible to obtain particulars of the trade and finances of the Republic even for the year ending 31st August, 1885. The Republic being then in a state of revolution, no statistics were transmitted to the Government by the Custom Houses, the receipts at which form the principal source of revenue. With reference to the imports and exports, there is no more recent official information than is contained in the Council's last report.

The following table, which has been compiled from reliable sources, shows the extent of British trade with Colombia from September 1st, 1879, to 31st August, 1884:—

Year.	Imports from Great Britain.	Exports to Great Britain.
From—	\$	\$
1st Sept. 1879, to 31st Aug. 1880	3,856,737	4,011,899
„ 1880 „ 1881	4,731,783	6,848,614
„ 1881 „ 1882	4,352,003	7,448,712
„ 1882 „ 1883	5,057,298	6,871,333
„ 1883 „ 1884	3,803,422	4,709,957

It is estimated that since the last-named period there has been a considerable falling-off in the trade with this country. The depression is, however, by no means confined to British trade. The causes to which, among others, may be attributed this depression are, the general decrease

of exports from Colombia, the stoppage of public works, financial straits of the Government, and the depreciation of silver.

During the last year some valuable mining concessions were granted, some of which have been taken by English capitalists. According to Señor Restrepo, the Colombian Minister for Foreign Affairs, the total yearly yield of mines in Colombia is about \$4,000,000, a very large portion of which is exported by foreign mining companies.

Mr. Alfred St. John, in his Report to the Foreign Office on the Trade and Commerce of Colombia, says :—" The service of the Foreign Debt should be resumed without delay, as the only means of restoring the credit of Colombia abroad ; emigration encouraged, and sound guarantees offered to foreign capitalists willing to embark in enterprises such as road or railway making. The cost of transport is so heavy as to impede completely, in many cases, the carriage of native commodities from one province to another. The laws of naturalisation of Colombia discourage immigration, as according to their provisions the children of foreigners born in the country are subjected to the obligations of native citizens."

COSTA RICA.

Consolidated External Debt of 1886 ... £2,000,000.

Seven per Cent. Costa Rica Committee.

The Right Hon. E. Pleydell
 Bouverie, *Ex-officio*.
 G. Barham, Esq.
 Francis Bennoch, Esq.
 E. Lennox Boyd, Esq.
 U. R. Burke, Esq.
 T. Cave, Esq.
 James Cooper, Esq.
 T. Dowling, Esq.
 W. E. Duncan, Esq.
 Roger Eykyn, Esq.
 W. Godfrey, Esq.
 G. de G. Griffith, Esq., M.D.
 Wm. Griffith, Esq.
 G. D. Harris, Esq.

L. Harrison, Esq.
 W. J. Harvey, Esq.
 J. Cooke Harker, Esq.
 Geo. Herring, Esq.
 T. Hobday, Esq.
 Saul Isaac, Esq.
 G. A. King, Esq.
 J. M. Louis, Esq.
 J. F. Lovering, Esq.
 H. Price, Esq.
 A. W. Ray, Esq.
 C. H. Stewart, Esq.

Secretary.

Charles O'Leary, Esq.

Seven per Cent. Costa Rica Sub-Committee.

The Right Hon. E. Pleydell
 Bouverie, *Ex-officio*.
 G. Barham, Esq.
 F. Bennoch, Esq.
 U. R. Burke, Esq.
 T. Cave, Esq.
 W. Godfrey, Esq.
 L. Harrison, Esq.

G. Herring, Esq.
 Saul Isaac, Esq.
 J. F. Lovering, Esq.
 A. W. Ray, Esq.
 C. H. Stewart, Esq.

Secretary.

Charles O'Leary, Esq.

Six per Cent. Costa Rica Committee.

G. T. Rait, Esq., *Chairman*.
 The Right Hon. E. Pleydell
 Bouverie, *Ex-officio*.
 Tudor Crawshaw, Esq.

F. Freeman, Esq.
 H. Staples, Esq.

Secretary.

Charles O'Leary, Esq.

Joint Sub-Committee of Conference.

The Right Hon. E. Pleydell
 Bouverie, *Ex-officio*.
 G. Barham, Esq.
 F. Bennoch, Esq.
 T. Cave, Esq.
 F. Freeman, Esq.
 L. Harrison, Esq.
 G. Herring, Esq.

Saul Isaac, Esq.
 G. T. Rait, Esq.
 A. W. Ray, Esq.
 H. Staples, Esq.
 C. H. Stewart, Esq.

Secretary.

Charles O'Leary, Esq.

It affords the Council great pleasure to be able at last to report a settlement of the Debt of this Republic, and the carrying into effect of the Arrangement concluded on the 3rd June, 1885, between the Council and Mr. Minor C. Keith, the Agent of the Government and Contractor for the Railway.

After many delays, Mr. Keith informed the Council, in May last, of the conclusion of his arrangements for the formation of the New Railway Company for the completion of the Line.

The Council accordingly commenced the conversion of the Old Bonds on June 9th. This operation has been most successfully accomplished. The amount of the 1871 Loan which has been lodged for conversion is £925,100 and of the 1872 Loan £1,708,800, together making a total of £2,633,900. In other words 98 per cent. of the Old Loans has been deposited with the Council and has been converted.

The Coupons due on the New Bonds, dated the 1st July, 1886, and 1st January, 1887, were paid at maturity at the offices of the River Plate Trust, Loan and Agency Company, Limited, in accordance with the terms of the Agreement.

The Costa Rica Railway Company, Limited, which was formed for the completion and working of the line, has a nominal capital of £3,055,000 as follows:—

6 per Cent. First Mortgage Debentures Registered	£655,000
6 per Cent. Second Mortgage Debentures Registered	600,000
Ordinary Shares — 180,000 @ £10 each ...	1,800,000
	<hr/>
	Total Capital <u>£3,055,000</u>

Of this amount only £355,000 of the First Mortgage Debentures has as yet been issued; this was offered to the public in June last at the price of £92 10s. per cent. Of the Ordinary Share Capital of the Company, rather more than a third has been issued in fully paid up Shares to the Bondholders, in satisfaction of the arrears of interest on the Loans of 1871 and 1872, at the rate of £22 10s. per £100 Bond.

The Company take over the existing Railways in Costa Rica, consisting of about 97 miles of line, and undertake to construct 48 miles of new line. The net traffic receipts of the line now in existence, for the past 3 years, were—

For 1883-4	£22,625
For 1884-5	30,000
For 1885-6	40,285

It has been estimated that upon the completion of the Railway, the traffic receipts will amount to £178,000, and that after the payment of working expenses there will remain a surplus of £89,350 for the payment of interest on capital, exclusive of any revenue that may be derived from the 800,000 acres of land conceded to the Company by the Government.

The construction of the Railway is progressing very satisfactorily, Mr. Keith having proceeded to Costa Rica to personally superintend the work.

The presidential election took place in March. The two candidates were President Bernardo Soto, who offered himself for re-election, and General Don Victor Guardia, brother of the late President, Don Tomas Guardia, the result being that President Soto was re-elected to the post which he had provisionally occupied with so much credit to himself and the Republic. On the 6th November, however, President Soto resigned. He was succeeded by Don Apolinar Soto, the first Vice-President.

The Boundary question between Costa Rica and Nicaragua has attracted much attention throughout Central America. It was proposed to submit the points in dispute to the United States Government for arbitration. The Government of Guatemala, however, offered to decide the question. This was assented to both by Nicaragua and Costa Rica, and the plenipotentiaries of these two Republics have been engaged upon this subject in Guatemala; their decision, however, has not yet been made public.

The total area of Costa Rica is about 20,000 square miles. The population is estimated at 200,000, nearly the whole of which live in localities contiguous to the Railway. The people are of an industrious and peaceful character, and the internal disturbances which so often agitate the Central and South American Republics, are of very rare occurrence in Costa Rica.

The chief article of export is Coffee, but the cultivation of Bananas, of which upwards of 20,000 tons were exported to the United States in 1885, is steadily increasing, and is destined to obtain a still greater development by the opening of the Railway now approaching completion.

The exports of Coffee from 1882 to 1885, have been as follows:—

Year.	Quantity. Sacks.	Weight. Tons.
1882	244,340	13,635
1883	160,050	8,931
1884	266,654	15,050
1885	154,599	8,627

The return for 1886 has not yet reached this country, but it is reported to be considerably larger than that for 1885.

Attention is also being given to the improvement of the breed of cattle, and during the past year, several consignments of pure bred stock have been imported from England by private individuals.

Some idea of the commerce of the Republic may be gathered from the subjoined table, which gives the value of articles exported from and imported into Costa Rica, during the years 1884 and 1885.

Country.	Exports.		Imports.	
	1885.	1884.	1885.	1884.
	£	£	£	£
Great Britain ...	272,438	339,521	337,588	409,950
Germany	75,038	88,272	121,003	20,997
France	65,042	108,261	88,660	71,813
Spain	63	37,136	859	2,316
Italy	—	—	—	115
Switzerland ...	—	—	—	166
Belgium	378	103	—	—
United States ...	211,704	262,059	171,329	188,753
Chili	1,094	901	1,094	—
Ecuador	—	—	4,120	5,943
Colombia	12,180	7,017	1,229	2,369
Peru	1,023	—	1,023	—
Mexico	80	—	162	202
Central America ...	20,260	652	5,117	6,759
	£659,300	£843,922	£732,184	£709,383

Limon, at the extremity of the Railway on the Atlantic side, is gradually superseding Puntarenas on the Pacific, as the principal port of the Republic, and there is no doubt that, when the Railway is completed, by far the greater part of the shipping of the Republic will be done at Port Limon.

Ports.	Exports.		Imports.		Total Exports and Imports.	
	1885.	1884.	1885.	1884.	1885.	1884.
Puntarenas ...	£ 367,297	£ 465,275	£ 145,213	£ 149,071	£ 512,510	£ 614,346
Limon ...	292,003	378,647	586,971	560,311	878,974	938,958
TOTAL £	659,300	843,922	732,184	709,382	1,391,484	1,553,304

The Internal Debt of the Republic is now reduced to \$562,000, and it is expected that it will be paid off in 1887. Owing to the Central American War in 1885, one quarterly drawing did not take place, thus leaving a balance of \$62,000 unprovided for. The Council are, however, informed, on good authority, that it is the intention of the Government to increase the quarterly amounts assigned for its amortization, in order that it may be entirely extinguished at the end of 1887, thus faithfully complying with their original obligation. The Customs Duties, which are now assigned for the amortization of the Internal Debt, will then be applied to the payment of interest on the Consolidated External Bonds. Since the 1st December, many official salaries have been reduced, including that of the President, and many posts have been entirely abolished, so that the expenditure of the year should be considerably below the estimates.

The subjoined Account shows the actual Revenue and Expenditure for the financial year 1885-86:—

REVENUE.		EXPENDITURE.	
	\$		\$
Balance on 1st April, 1885—		Expenses charged to the	
Promissory Notes ...	19,653.90	General Budget...	2,850,294.01
Bills payable ...	45,546.52	Expenses arising from pre-	
Receipts for 1885-86—		vious Loans and additional	
Taxes ...	2,341,743.63	Credits ...	37,205.22
	<u>2,387,290.15</u>		<u>2,887,499.23</u>
Extraordinary and sundry		Payment of Bills for Silver	
Receipts ...		Bars and Exchange ...	
Bonds issued for War	32,683.99	Balance in hand on the 31st	65,957.70
Expenses ...	386,507.00	March, 1886—	
Loan from the Bank of		In Coin deposited in the	
La Union ...	<u>61,364.19</u>	Bank of La Union to	
	480,555.18	cover Bills in payment of	
		Silver Bars ...	55,978.20
Total	<u>\$2,887,499.23</u>	And in Bills lodged with	
Mint—Coinage of Silver ...	121,935.90	the Bank on the 31st	
Balance on the 31st March,		March, 1886 ...	43,300.34
1886 ...	43,300.34	And Coin in the La Union	
Balance from the sale of Cus-		and Anglo-Costa Rican	
tom House Pagarés ...	<u>76,585.50</u>	Banks for the payment of	
		the 13th drawing of the	
		Internal Debt ...	76,585.50
	241,821.74		<u>175,864.04</u>
	<u>\$3,129,320.97</u>		<u>\$3,129,320.97</u>

BUDGET FOR THE ECONOMIC YEAR 1886-87.
ESTIMATED RECEIPTS.

				\$	\$
<i>Customs—</i>					
Import Duties at Puntarenas ...	...	...	...	230,000.00	
Import Duties at Limon ...	...	...	...	470,000.00	
<i>Wharfage—</i>					
On Imports and Exports at both the					
above Custom Houses ...	...	...	...	80,000.00	
					780,000.00
<i>Spirit Duties—</i>					
On Native Spirits ...	...	...	...	750,000.00	
On Native and Foreign Spirits at					
Limon ...	...	...	...	30,000.00	
					780,000.00
<i>Tobacco—</i>					
By Sales of ...	...	...	...		500,000.00
<i>Sundry Receipts—</i>					
Railways ...	...	...	...	51,000.00	
Indirect Taxes ...	...	...	...	62,000.00	
Government Stamped Paper ...	...	...	...	30,000.00	
Post Office ...	...	...	...	17,000.00	
Spirit Licenses ...	...	...	...	12,000.00	
Registry of Mortgages ...	...	...	...	20,000.00	
Telegraphs ...	...	...	...	17,000.00	
National Printing Office ...	...	...	...	6,000.00	
Quit-rent on Waste Lands ...	...	...	...	4,155.81	
Bills payable ...	...	...	...	43,259.69	
Stamp Duty ...	...	...	...	25,000.00	
Government Treasury Bills ...	...	...	...	23,028.79	
Credit of the Bank of La Union ...	...	...	...	62,063.86	
Sundry unforeseen Receipts ...	...	...	...	81,000.00	
Arrears of Revenue ...	...	...	...	28,585.06	
Subsidy payable by the Municipality					
of San José ...	...	...	...	6,000.00	
Government Balance at the Bank of					
La Union ...	...	...	...	58,039.49	
Government Balance at the Anglo					
Costa Rican Bank ...	...	...	...	18,546.01	
Deposit at the Bank of La Union for					
the payment of Bills...	...	...	...	55,903.25	
Rents Received for Leases of National					
Property ...	...	...	...	1,200.00	
Fines ...	...	...	...	2,000.00	
Interests and Credits at the late Bank					
of Issue ...	...	...	...	5,000.00	
Miscellaneous Receipts ...	...	...	...	18,831.65	
					647,613.61
Total ...					\$2,707,613.61

ESTIMATED EXPENDITURE.

					\$
Department of the Interior	...	...	...	...	231,500.00
" " Police	...	...	...	...	78,953.64
" " Public Works	...	...	...	...	198,085.92
" " Finance and Commerce	...	...	...	...	238,678.20
" " Public Instruction	...	...	...	...	169,140.00
" " Foreign Affairs	...	...	...	...	57,060.00
" " Public Worship	...	...	...	...	15,220.00
" " Public Charity	...	...	...	...	6,840.00
" " Justice	...	...	...	...	76,996.00
" " War	...	...	...	...	305,040.75
" " Marine	...	...	...	...	20,888.00
Working of Government Monopolies	...	...	...	...	250,000.00
Supplementary Credits	...	...	...	...	63,070.32
Internal Debt, service of	...	...	...	...	500,000.00
Miscellaneous Expenses	...	...	...	...	496,140.78
Total	...	...	...	...	<u>\$2,707,613.61</u>
NATIONAL PALACE, SAN JOSÉ.					
31st March, 1886.					
<i>The Secretary of State for the Department</i>					
<i>of Finance and Commerce,</i>					
(Signed)	MAURO FERNANDEZ.				

ECUADOR.

STATEMENT OF EXTERNAL DEBT.

Amount of Principal outstanding	...	...	£1,824,000
Interest overdue 39 Coupons (1st May, 1868,			
to 1st May, 1887, computed at 1 per cent.			
per annum)	...	...	355,680
Total Debt	...		<u>£2,179,680</u>

Ecuadorian Committee.

Rt. Hon. E. Pleydell Bouverie,

Ex-officio.

F. Bennoch, Esq.

L. N. Bonar, Esq.

Hyde Clarke, Esq.

Roger Eykyn, Esq.

L. R. Lack, Esq.

F. P. Obicini, Esq.

Admiral of the Fleet, Sir Provo

Wallis, G.C.B.

Ed. Wright, Esq.

Secretary.

Charles O'Leary, Esq.

In the early part of last year an influential body of Bondholders having represented to the Council that, in their opinion, a favourable opportunity had arisen for making a fresh attempt to settle the Debt, the outlines of a scheme of arrangement were carefully discussed and agreed to. Copies were furnished to the representatives of that body and to Captain Chambers, the Agent of the Bondholders in Ecuador, and instructions were simultaneously sent to both to co-operate for the conclusion of an arrangement with the Government on the lines indicated. Up to the present time the desired result has not been attained, but the Council will not relax its efforts to bring about a satisfactory solution of this long-pending question.

The Contract referred to in the last Report of the Council, as having been concluded between Mr. M. J. Kelly and the Government for the completion of the Quito Railway, granted the free use of that portion already constructed from Taquachi to Chimbo, and all the rolling stock, etc., and also the income of the Line for a period dating from the celebration of the Contract to the 31st August, 1907.

The cost of construction was to be met by the concession to the Contractor of the revenues derived from the Salt Monopoly up to the 31st August, 1897.

Mr. Kelly has also obtained a contract for the construction of a Railway to connect the town of Machala with Puerto Bolivar. This line will afford a much better outlet for the large cocoa produce of that part of the Republic than at present exists. By a law passed in the early part of the year, Puerto Bolivar will become a free port as soon as certain necessary specified conditions shall have been complied with.

During the year 1886 the mercantile community of Guayaquil were again applied to by the Government for a "Loan" of \$250,000. This was taken up by the chief merchants at the rate of 80 per cent. It is to be reimbursed to them by direct monthly payments of an agreed sum out of the receipts of the Customs Duties at Guayaquil.

The Council are glad to be able to report that the Government of Ecuador have at last recognised the claim of the Ecuador Land Company (Limited) to make the exchange of Bonds for "Terrenos Baldios," and have allowed a further term of two years for their presentation in exchange for the lands in question.

Banking appears to be profitable in Ecuador. The Bank of Ecuador paid in 1885 a dividend at the rate of 17 per cent. on the paid-up capital. The Banco Hipotecario declared a dividend of $15\frac{1}{2}$ per cent. for the same period, whilst the Banco Internacional paid 9 per cent. The Anglo-Ecuadorian Bank, formed in connection with the Railway project of Mr. M. J. Kelly, is reported to be progressing favourably.

The Tramway system in Guayaquil has been extended throughout the city. The Company paid for the year 1885 a return of 12 per cent. upon the paid-up capital, and has

appropriated the surplus profits of nearly 12 per cent. more to the further extension of their lines.

The Finance Minister, in his report to Congress in June 1886, presented the accounts of the Income and Expenditure for the year 1885. These show that the

Income reached	...	...	...	...	\$4,043,204.44
And the Expenditure reached	...	...	...	...	3,929,934.13

Thus presenting an apparent surplus of	...	<u>\$113,270.31</u>
--	-----	---------------------

The chief items are as follows :—

INCOME.	EXPENDITURE.
Cash in hand . . . \$191,543.07	Salaries and Payments for Services rendered . \$801,378.84
Taxes collected. . . 2,524,175.49	Public Instruction and Statistical Department 235,780.65
Loans and Supplementary Credits . . . 1,327,485.88	Post Office 82,402.21
	Army and Navy, and Purchase of Arms and Military Equipments 1,052,359.73
	Public Works and Buildings. 39,143.56
	Railways and Telegraphs. 59,201.18
	Road to Chones 10,011.55
	Banks of Ecuador, Quito, and La Union, for Loans obtained in 1884 1,264,909.03
	Indemnities, Interest, and Balances of Accounts 156,949.47
	Wharf, Hospitals, and other items ordered by Special Laws 151,992.22
	Balances in hand 75,805.69
<u>\$4,043,204.44</u>	<u>\$3,929,934.13</u>

EGYPT.

Unified Debt outstanding January 1887	...	£55,990,440
Five per Cent. Preference Stock	do. ...	22,296,800
Five per Cent. State Domain Debt	do. ...	7,324,240
Dafra Sanieh Loan	... do. ...	8,659,500
Three per Cent. Guaranteed Loan	do. ...	9,301,700

The courtesy of the Commissioners of the Public Debt has again, as in former years, enabled the Council to publish regularly the monthly returns of the sums derived from the Revenues assigned for the service of the Unified, Preference, and Guaranteed Loans. A summary of these returns is given in the following tables, which show also the amounts received in the corresponding months of the four previous years.

All the amounts are given in pounds sterling at the exchange of 97·5 piastres=£1.

UNIFIED DEBT.—OUTSTANDING AMOUNT, £55,990,440.

MONTHS.	1882.	1883.	1884 (leap year).	1885.	1886.
I to 31 January ...	£293,061	£317,081	£276,893	£340,158	£209,638
I " end February ...	214,264	176,600	241,363	157,666	159,025
I " 31 March ...	112,688	154,178	106,202	124,701	80,572
I " 25 April ...	204,503	138,208*	173,962*	187,906*	129,787*
26 " 30 " ...	13,311	9,743	564,780	17,669	376,660
I " 31 May... ..	274,601	159,017	143,697	172,798	274,967
I " 30 June ...	193,466	246,197	157,189	208,027	181,025
I " 31 July ...	10,833	195,101	186,716	195,594	274,504
I " 31 August ...	6,795	142,271	254,137	174,858	192,290
I " 30 September ...	65,133	207,633	53,713	211,024	174,654
I " 25 October ...	621,908\$	424,281\$	79,958\$	376,849\$	417,152\$
26 " 31 " ...	36,418	85,733	52,306	62,476	21,125
I " 30 November ...	412,042	407,252	415,589	284,653	651,593
I " 31 December ...	459,377	440,233	430,342	722,990	420,956
Totals	£2,918,460	£3,094,528	£3,131,047	£3,237,369	£3,569,558
Deductions to complete service of Preference Stock.	£ 343,549	* £20,337 \$ 330,870	* £104,317 \$ 384,364(a)	* £83,867 \$ 121,977	* £34,992 \$ 159,549

(a) NOTE.—This reduction was afterwards reduced by £272, there being a balance of that amount in the Sinking Fund Account of the Preference Debt.

N.B.—A Five per Cent. Income-tax was deducted from the May and November Coupons of 1885 and 1886, but it is understood that the balance in hand will be sufficient to repay this tax in April next, in accordance with Arts. 17, 20, and 21 of the Decree of the Khedive of 27th July, 1885. The balance in question, on the 25th October, 1886, amounted to £935,648. Although the ordinary Sinking Fund is suspended, there has been a small fund applicable for redemption arising from Coupons forfeited by prescription; and the outstanding amount has been correspondingly reduced.

FIVE PER CENT. PREFERENCE STOCK.—OUTSTANDING AMOUNT, £22,296,800.

MONTHS.	1882.	1883.	1884. (Leap Year.)	1885.	1886.
1 to 31 January	£80,000	£120,000	£90,000	£100,000	£110,000
1 „ end February	90,000	60,000	98,223	50,000	60,000
1 „ 31 March	90,000	50,000	60,000	50,000	60,000
1 „ 14 April	23,000	113,379*	41,776*	30,000*	10,000*
15 „ 30 „	42,000	10,000	40,000	40,000	30,000
1 „ 31 May	80,000	70,000	40,000	40,000	70,000
1 „ 30 June	40,000	70,000	50,000	50,000	30,000
1 „ 31 July	13,000	23,749	20,000	30,000	40,000
1 „ 31 August... ..	Nil.	10,000	40,000	60,000	30,000
1 „ 30 September	10,000	20,000	20,000	50,197	30,000
1 „ 14 October	65,000†	56,250‡	— §	165,245§	140,000‡
15 „ 31 „	30,000	40,000	60,000	64,557	30,000
1 „ 30 November	100,000	90,000	110,000	80,000	130,000
1 „ 31 December	100,000	70,000	110,000	120,000	100,000
Totals	£763,000	£803,378	£779,999	£929,999	£870,000
Additions taken from receipts of Unified Debt	£343,549	* £20,337 § 330,870	* £104,317 § 384,364 (a)	* £83,867 § 121,977	* £34,990 § 159,540

(a) NOTE.—See note to Unified Debt.

N.B.—A Five per Cent. Income-tax was deducted from the April and October Coupons of 1885 and 1886 (see note to Unified Debt).

The following is the Official Statement of the amounts of the Five per Cent. Tax deducted from the following Coupons:—

Unified Debt, 1st May, 1885	...	...	£55,991	6	5
Do. 1st November, 1885	...	...	55,991	6	5
Do. 1st May, 1886	...	...	55,990	8	9
Do. 1st November, 1886	...	...	55,990	8	9
			<hr/>		
			£223,963	10	4
			<hr/>		

Preference Debt, 15th April, 1885...	...	...	£27,916	0	0
Do. 15th October, 1885	...	...	27,871	0	0
Do. 15th April, 1886...	...	...	27,871	0	0
Do. 15th October, 1886	...	...	27,871	0	0
			<hr/>		
			£111,529	0	0
			<hr/>		

Domain Loan, 1st June, 1885	...	...	£9,776	1	0
Do. 1st December, 1885	...	...	9,643	6	0
Do. 1st June, 1886	...	...	9,570	9	0
Do. 1st December, 1886	...	...	9,544	9	6
			<hr/>		
			£38,534	5	6
			<hr/>		

The Da'ra Sanieh has not yet furnished any Statement on the subject.

The service of the Three per Cent. Guaranteed Loan has been effected with the fixed annuity of £315,000, levied as a first charge on the Revenues assigned to the Unified and Preference Debts, and that Loan has been reduced by the operation of the Sinking Fund to a nominal total of £9,301,700.

The net proceeds of this Loan, which amounted to £8,980,425, were applied as follows:—

The amount available for the objects mentioned in the Decree of 27th July, 1885 (after the deduction of expenses and the settlement of ascertained indemnities amounting to £4,309,196), was £4,671,229.

Out of this amount there has been applied, up to the 31st December, 1885 £2,988,655
Adding receipts to 31st Dec., 1884,

under Law of Liquidations	£131,040
Ditto during 1885	... .. 10,345
	<hr/> £141,385
Less expenses	... .. 43,949

Balance available subject to verification	... .. 97,436
Net proceeds of lands sold in 1885	... .. 425,726
Net proceeds of lands of rebels confiscated and assigned for the services of the Liquidation by a Decree of 14th Dec., 1882...	... .. 22,997
Total	... .. <u>£3,534,814</u>

The total thus obtained was employed in 1885 in the following manner:—

Deficit of 1884 and previous years, estimated at £2,725,128 by the London Convention.

Amount paid as ascertained to

31st December, 1885... .. £2,634,378

Deficit of 1885, estimated at £1,230,769

Amounts paid to 31st December:—

Contribution in aid of the deficit

of 1885 102,564

Contribution in aid of construction of New Custom House ...	£32,930	
Do. in aid of expenses in the Soudan	402,066	
Total	<u> </u>	£537,560

Out of the £512,821 assigned for the service of the Treasury there has been debited to the account for payment made by the Commissioners for the Government other than the above-mentioned deficits to 31st December, 1885, a sum of

	362,876	
Total	<u> </u>	<u>£3,534,814</u>

The charges under the Decree of 27th July, 1885, outstanding on the 31st December, 1885, were:—

Deficit of 1885	£693,208	
Irrigation Works	1,025,641	
Commutation of Pensions ...	564,102	
Service of the Treasury ...	149,994	
Total	<u> </u>	£2,432,895

The assets available for the discharge of these liabilities were:—

Balance available out of the Loan (plus interest and less expenses)	£1,682,572
--	------------

Free lands, the confiscated property of rebels and recovery of arrears 1879 (not yet ascertained)

No payments were made in 1885 in respect of Irrigation Works and Commutation of Pensions.

The question of the legality of the 5 per cent. deduction from the Domain Loan Coupons, due 1st June, was argued before Vice-Chancellor Bacon on the 20th July in *Henderson v. Rothschild*, when the Vice-Chancellor held that he had no authority to compel the defendants to go beyond the instructions of the Egyptian Government. This decision has subsequently been confirmed on appeal.

The Report of the Public Works Department gives a good example of what can be done by intelligent officials unhampered by international control.

The Public Works Department, among other duties, has the management of the National Water-courses, and Colonel Scott Moncrieff, on taking office, determined to do something more effectual than had hitherto been done towards regulating the flow of the Nile. Some previous attempts had been made to control its waters by means of a system of "Barrage," but with such indifferent success that it had been determined to abandon the idea. Colonel Moncrieff, however, at a cost of £26,666 in 1884 gave the system another trial, with the result that in that year an increased depth of 1 metre throughout the Delta was obtained; and in 1885, in spite of a low Nile, at a further cost of £18,460, the water level of all the canals was raised 10 centimetres.

The material result of these measures is a saving of water, which may be said to be the life of the country; and although some low-lying districts have suffered from a too great abundance of that necessary (so that remission of taxes to the amount of £6,715 have been granted on that account to the holders of 8,967 acres of rice lands in Lower Egypt), yet the lands benefited have been largely in excess of those which suffered loss.

The saving in labour in connection with the removal of silt from the canals has been considerable, and is estimated at not less than £250,000 for the year.

Along the Ibrahimieh Canal the sugar land has received great benefit, as shown by the following table, which gives the acreage under cultivation for the last eight years :—

1878	...	...	...	30,072	acres.
1879	...	...	...	33,500	"
1880	...	...	...	22,695	"
1881	...	...	...	28,569	"
1882	...	...	...	27,828	"
1883	...	...	...	28,516	"
1884	...	...	...	33,892	"
1885	...	...	...	37,374	"

It will be observed that the average of the 6 years 1878-83 reaches 28,530 acres, while that of the years 1884-5 amounts to 35,633 acres under cultivation in spite of low Niles, the minimum depth in 1885 having been 0·75 against 5·04 in 1879, the best year of the preceding period.

The Customs, which are under the control of Mr. Alfred Caillard, have shown a considerable improvement, the net revenue for 1885 being £847,836 as against £753,637 for the previous year. The removal of the restriction of tobacco imports to that coming from Constantinople, coupled with increased activity of the preventive service, has largely contributed to the increase of returns under this head, the yield being about £125,000 more than in 1884.

The surplus in the hands of the Treasury of the Debt amounts to £493,333 for the year ending 25th October, 1886, that for 1885 amounts to £442,315. The total

£935,648 is the surplus contemplated in the Decree of 27th July, 1885, and will be held till April next, when it will be distributed in accordance with the provisions of that decree, viz. :—

1st. To make good the deficit on the ordinary Budget	... .. say	£256,400
2nd. To repay the 5 per cent. Coupon Tax		410,250
		<u>£666,650</u>

The balance to be divided between the Government and Sinking Fund is therefore £269,000, of which £90,000 goes to the Guaranteed Loan, and £44,500 to the Unified and Preference Loans.

The following tables give the Budget Returns for the year 1885, arranged so as to show the net revenue and expenditure, after deduction of the cost of collection and administration, and of the amounts recovered in reduction of expenditure.

REVENUE, 1885.

	Gross.	Cost of Col- lection and Administration.
<i>Direct Taxes :—</i>		
Land Tax, Kharadgi	£4,366,826	} £361,190
Ouchouri	701,760	
Taxes on Date Trees... ..	93,520	
Other Taxes on Land	64,746	
Professional and Urban and other Direct Taxes	300,297	
<i>Indirect Taxes :—</i>		
Customs	946,850	97,328
Octrois	309,073	41,647
Salt	216,578	75,670
Registration and Stamps	53,428	—
Fisheries	89,767	11,316
Navigation Dues... ..	77,122	2,843
Weighing Dues (farmed out)	48,306	—
Slaughter-houses (ditto)	22,955	—
Miscellaneous	33,337	—
<i>Administrative Services :—</i>		
Railways	1,518,625	606,425
Hélouan Railway	7,854	5,898
Telegraphs	58,300	43,975
Post Office	119,970	107,307
Postal Steamers	156,596	110,175
Port of Alexandria	98,996	24,900
Other Ports... ..	3,710	10,455
Lighthouses... ..	93,936	28,765
Mint	6,671	2,475
<i>Government Property :—</i>		
Rent, &c.	89,714	—
<i>Pensions Fund :—</i>		
Contributions	47,000	—
Total Gross Revenue	£9,525,945	£1,530,429
Less Cost of Collection, &c.... ..	1,530,429	
Net Revenue	£7,995,516	
Net Expenditure	7,478,614	
Surplus	£516,902	

EXPENDITURE, 1886.

	Gross.	Recovered by the Government.
Tribute to Turkey	£695,792	—
Service of Debt	3,743,861	—
Domains and Daira Deficits... ..	512,820	—
Interest, Commission, &c.	12,105	—
Civil List	304,980	—
Cabinet of the Khedive... ..	61,952	—
Ministerial and Legislative Councils	16,910	—
Sundry Expenses connected with the Execu- tive	116,937	—
Ministry of Foreign Affairs	11,092	—
" Finance (including Treasury Debt of £29,627, and Financial Adviser and Staff, £6,667)	135,775	40,860
Ministry of War and Army	132,635	—
" Public Instruction	83,211	6,307
" the Interior	36,300	3,234
" Justice :—		
Native Courts	158,150	300,848
International Courts	146,275	
Central Administration, &c.	28,465	
" Public Works	585,360	1,755
Police	244,205	—
Sanitary Services	68,211	1,736
Prisons	26,246	—
Cadastre (Survey)	34,493	—
Printing Office... ..	29,522	3,595
Eastern Soudan	105,900	—
Archives	4,530	—
Pensions	442,826	—
Army of Occupation	200,960	—
Total Gross Expenditure	£7,939,513	£358,335
Less Recovered by Government	358,335	
	£7,581,178	
Deduct Expenditure payable from Ex- traordinary Resources	102,564	
Net Expenditure	£7,478,614	

In his Report for 1885 Mr. Vincent, in allusion to the surplus of £516,902, resulting from the comparison of the Revenue with the Expenditure, says :—

This result would have been satisfactory in any year. It is still more so in 1885, when the Egyptian Government had to pay a sum of £512,820 to make good the deficits of the Domains and Daïra Administrations. Had the revenues of these estates been equal to the charges of the Domains and Daïra Loans, the surplus of the Egyptian Government would have amounted to £1,030,722. I should state that the interest on the debt has been calculated at the reduced figure established by the Convention of the 18th of March, 1885 ; that is to say, a reduction of 5 per cent. on the Coupons of the various Foreign Loans, and of $\frac{1}{2}$ per cent. on the interest of the Suez Canal Shares purchase-money has been made. By the terms of the above convention, the whole sum of £516,890 is not at the disposal of the Egyptian Government ; it remains in the hands of the Commissioners of the Treasury of the Public Debt until April, 1887, when a portion of it will be assigned to a reimbursement of the tax on the Coupons, and the remainder divided between the Sinking Fund and the Egyptian Government. If these figures are compared with those of former years, it will at once be seen how great an improvement has taken place in the financial position of Egypt.

The total revenue amounted to £9,884,280, or nearly a quarter of a million more than in 1884, and over half a million more than in 1883. The year 1881 has hitherto been considered as the most prosperous in recent Egyptian history, but, regarded solely from a revenue point of view, we find that the gross receipts amounted to £307,692 less than in 1885. This result is the more gratifying from the fact that it has been obtained without the addition of Europeans to the staff of the Ministry of Finance. It was felt desirable that in the collection of revenues native Egyptians should be employed as far as possible. Although improvement might follow more slowly than if skilled Europeans of undoubted integrity had been used, it was thought that the amelioration of the revenue system would be more permanent and of greater benefit to the country if a sincere endeavour were made to work through native agents and to train them for the public service. Rigid adherence to advanced European ideas cannot be suddenly imposed upon the most conservative of Oriental populations ; and the

cause of progress is generally injured by attempting to reform in a few months habits based upon the traditions of centuries.

The increased revenue is not due to increased taxation, except in the case of tobacco. On the contrary, the burden of taxation has been lightened in some directions and with great advantage.

What are the causes of this increase? Is it to be attributed to an improvement in the general economic position of the country, or to an amelioration of the administration and of the system of revenue collection.

It is important to determine in what degree each of these causes has operated, and on the answer given will depend the amount of margin left for further development, independently of general economic conditions which it is not in the power of the Government to control.

The surest guide to the general condition of the country is to be found in the statistics of trade and commerce. The returns of exports and imports furnished by the Custom House, give in Egypt an almost certain indication of the progress of national wealth. The Custom House returns show a considerable increase in the value of the goods imported in 1885, but a diminution in the value of the exports. This diminution in the value of the exports is due almost entirely to the fall which has taken place in the price of produce; the quantities exported being above the average of previous years. It was the general expectation of those who watched these returns closely, that this diminution of value in the exports would have led almost immediately to a diminution of imports. It appeared certain that the funds at the disposal of the population for the purchase of foreign goods had been reduced. Cotton, wheat, beans, sugar, and other agricultural produce, for which the Egyptian peasant obtained formerly twelve or thirteen millions, yielded in 1885 only eleven millions. These expectations have not however been realised. The explanation is to be found in various causes. In the first place the effect of the reduced values of produce was only felt towards the close of the year. The cotton crop of 1884 was sold at high prices; the cotton crop of 1885 was only gathered in the last three months of the past year. We have, therefore, not yet fully felt the force of the blow which the fall in prices threatens to strike at the prosperity of Egypt. A second reason is to be found in the fact that there has been a great diminution of those indirect charges to which the cultivator was formerly subjected; I allude more particularly to the two great curses of Egypt—Backsheesh and Corvée. Government officers used their

authority in previous years to extract from the fellaheen bribes for every service rendered. The system was not only tolerated, but was regarded as one of the customs of the country with which it was useless to attempt to interfere. Just as in England people shut their eyes to the presents which servants receive from tradesmen, so the Egyptian Government permitted its agents in the provinces to receive backsheesh from the population. The importance of a post was valued, not so much for the salary attached to it, as for the opportunities it furnished for obtaining illicit gain. An immense improvement has been made in this respect. It would be absurd to maintain that bribery has disappeared; habits have more effect on the conduct of life than ministerial regulations, and many years must elapse before the habit of backsheesh will be entirely extirpated. Public opinion in Egypt does not yet hold the acceptance of bribes to be disgraceful, but it is now known that its detection will be punished, and it is thought better not to be found out. The *Corvée* was, perhaps, the centre of this system of corruption, and its partial abolition will prove a healthy influence, as well as an immense economic gain.

It appears from the foregoing statement regarding the value of the agricultural produce of Egypt, that the increase in revenue is due less to the growth of wealth in the country generally than to a great improvement in the system of administration and revenue collection. I have already alluded to the diminution of indirect charges on the taxpayer; but this is not the only improvement; a strict control is now kept over tax-collectors. They are compelled to treat the rich and the poor alike, and to enforce the payment of taxes against the rich and powerful Pashas who previously escaped. The greatest caution is exercised not to press poor taxpayers at seasons when they have no crops to sell, and when pressure might mean absolute ruin. The land tax had been so apportioned to the different months of the year that it is payable in each district at the moment when the crops are sold. In pursuance of a recommendation which I made in previous reports a system of financial inspection has been established, and has rendered excellent service.

The brilliant results obtained by the Revenue Departments are due in a large measure to the zeal and untiring devotion to the public service of the leading Revenue Officers. I am glad of this opportunity to state my admiration for their talents, their capacity, and their unwearyed efforts.

The following figures give the value of the Imports and Exports of Egypt during 1885 :—

		Imports.	Exports.
Goods from and to Turkey	...	£1,748,000	£246,000
" " other countries		7,602,000	11,578,000
		<hr/>	<hr/>
		9,350,000	11,824,000
Specie	... ..	4,015,000	1,326,000
		<hr/>	<hr/>
Total	...	£13,365,000	£13,150,000
		<hr/>	<hr/>

The average imports of merchandise during the previous 10 years amounted to £7,179,000, while the exports averaged £13,118,000. It will thus be seen that the imports were £2,051,000 in excess of the average of the previous 10 years, while the exports of 1885 were 1½ millions less than the average. With regard to specie, the gold imports amounted approximately to 3½ millions, and the silver to about ⅔ of a million: while £1,157,000 of gold were exported, and £166,000 of silver. The goods re-exported are not included in this figure. Although allowance must be made for an increase in imports, owing to the issue of the Guaranteed Loan, I hold that these facts denote the existence of a larger purchasing fund for foreign commodities, and also a higher standard of general comfort; for with an increase in the value of the imports the fact must be taken into consideration that the price of goods imported has fallen almost without exception. This fall averages nearly 20 per cent. Taken with the increase in the value of the imports, which amounts to about 10 per cent. of the total value on the highest previous year, we arrive at this result: that the amount of goods imported for use in Egypt during 1885 is at least 30 per cent. in excess of that imported in any recent year. It is impossible to escape the conclusion in the face of these facts, that the fellaheen are better clothed, better housed, and better fed than they have been in any previous period of their history. The presence of the army of occupation in Upper Egypt has greatly relieved poverty in the districts of Esneh and Keneh, which were formerly worse off than any in Egypt, and to the condition of which I called attention in previous reports. It cannot be denied, however, that the burden of the land tax is in many districts excessive. On some lands it leaves but a small margin of profit with present prices. After the abolition of the Corvée nothing would in my opinion increase the prosperity of the country so much as a reduction of the land tax in the most heavily charged districts.

There is a no more convincing sign of improvement in the condition of Egypt during the last few years than the fact that the

debts of the fellaheen to local usurers have in a great measure been paid off. It will be remembered that in 1882 one of the main sources of discontent was the indebtedness of the peasantry to Greek and European money-lenders. The promise that they would not have to pay their creditors induced many to follow Arabi. In 1883 this indebtedness was considered the most difficult problem to solve in connection with Egypt. I can now state that a satisfactory solution has been found, and that this question is no longer a source of anxiety or danger. It has always been difficult to estimate the aggregate amount of indebtedness for which the fellaheen were liable. Exorbitant rates of interest were charged, so that the peasant himself scarcely knew the sum which was required of him. During Lord Dufferin's mission various estimates fixed the amount at between seven and fourteen million pounds. The latter figure was undoubtedly much too high; but even supposing the lowest to have been the truth, there has been an enormous reduction of this debt during the last three years. In many provinces the usurers have been entirely paid off; in a few there is still a certain amount of money outstanding but less onerous terms of interest have been agreed to, and a term of years settled for the re-imbursement of the capital. The information which I have been able to collect leads me to estimate the total amount now due on account of old debts by the peasants to money-lenders at less than three million pounds, and but little fresh indebtedness has been incurred. The cases in which usurers have sold up the fellaheen for non-payment are quite exceptional, and affect only an insignificant fraction of the total cultivated area in Egypt. The desirability of giving the fellaheen opportunities to borrow appears to me extremely doubtful. The advocates of land companies state that the money borrowed will be used for the improvement of the land and for the amelioration of agricultural processes; but it is notorious that in nine cases out of ten, the money borrowed by the fellah is squandered. It was asserted that if unable to borrow in 1884 and 1885 the fellah would not be able to cultivate his land properly or to pay his taxes. What are the facts? The fellah has not borrowed, the crops have been larger than in any previous year, and the taxes have been collected with unusual punctuality.

A reform of great importance has been effected during 1885 in the currency of Egypt. A Commission appointed in 1884 concluded its labours and presented to the Council of Ministers and to the Legislative Council a draft law, which was approved with slight modifications and embodied in the Decree of November 14, 1885. The recom-

mendations of the Commission were that Egypt should adhere to the gold currency which is already in force, but that new token silver coins should be struck representing 20 piastres, 10 piastres, 5 piastres, 2 piastres, and 1 piastre. It proposed to divide the piastre into 10 parts or dimes, these fractional coins being made of nickel. The Egyptian pound will, therefore, be divided into 100 piastres, or 1,000 dimes, representing, perhaps, the most convenient system for accounts which has yet been adopted in any country. The unit of the system is the gold pound weighing 8·5 grammes and ·875 fine. Some discussion took place on the question of bi-metallism, but it was recognised that, while the principal countries with which Egypt has commercial relations remained practically mono-metallic, Egypt must adhere to the same system. It is very clear in my opinion, that Egypt, as a debtor country, paying the balance due every year in produce, is deeply interested in the maintenance of high prices, and that all her efforts should be used to prevent a further depreciation of her produce. This is not the place to inquire to what extent bi-metallism would attain this end, but the subject is worthy of investigation by the Egyptian Government.

The following facts regarding the absorption of gold by Egypt are sufficiently remarkable to deserve the attention of those who are interested in currency subjects. During the last seven years the amount of gold and silver imported into Egypt has been £22,243,000, while the amount exported has only been £5,110,800. There has, therefore, been a net excess of imports over exports of £17,132,000. The tables in the earlier years do not distinguish gold from silver with great accuracy; but at least £11,282,000 of the above excess of imports over exports were gold. The average absorption of gold in Egypt amounts therefore to £1,641,000 a year. The population of Egypt is rather over six millions, the absorption therefore being £1 in gold for every group of four inhabitants. As the average size of a family is five persons, if wealth were equally distributed between all, every family would put by £1¼ a year in gold, without taking silver, of which a great quantity is exported to the Soudan, into account. To show the remarkable character of the above figures, I have only to state that the total annual production of gold in the world is less than £19,000,000 sterling, while the population of the world is 1,440,000,000. Therefore Egypt, which contains six millions of inhabitants, or one two-hundred-and-fortieth of the population of the world, absorbs one twelfth of the gold produced annually. If gold were absorbed in India at the same rate per inhabitant as in Egypt, £60,000,000, or three

times the annual production of gold in the world, would be required to supply its wants.

What becomes of the gold thus imported? The banks in Alexandria and Cairo have no large deposits. The value of gold ornaments, which are manufactured yearly, does not, so far as I have been able to ascertain, exceed £200,000. Gold is not exported to the Soudan in any large quantities. I am led to the conclusion that considerable amounts must be hoarded by private individuals. Centuries of arbitrary rule and oppression have brought the art of concealing wealth to a high degree of perfection. Deposit banks have hitherto met with but slight response to their offers of interest. The loss to the country on the large sums which are thus kept idle is very considerable, and I think it the duty of the Government to offer every opportunity under due precautions for the profitable employment of these sums. I should propose to adopt the system of Post Office Savings Banks, which has been followed with success in other countries not totally unlike Egypt. I should also be in favour of making the branches of the Post Office agencies for the purchase of Egyptian securities in small amounts. I do not anticipate that the public would avail themselves of these facilities to a large extent immediately, but I believe with patience and skill good results might be obtained. It might further be possible, in order to encourage investment, for the Government to accept Coupons of the past and current half-years in payment of taxes in the non-affected provinces. There would be no danger in the adoption of this scheme, and it would increase the confidence of the public in Egyptian credit.

With regard to expenditure, considerable inconvenience was caused by the fact that the Convention of the 18th of March, 1885, fixed the administrative charges of the Egyptian Government at a sum of £5,371,282. Expenditure incurred above this sum cannot be met from the non-assigned revenues, but must be charged against the eventual surplus which will return to the Egyptian Government after the repayment of the tax on the Coupons.

The following special circumstances affected the expenditure of 1885 :—

1. A sum of £30,769 was voted in aid of the Corvée fund. This money was spent on contracts for cleaning the irrigation canals by paid labour, so as to reduce the amount of forced labour, which was formerly imposed on the population. The experiment of replacing the Corvée, or forced labour, by contracts answered so well and constituted such a relief to

the population that it is proposed in 1886 to increase the vote for this purpose to £256,400. It will not, I hope, be many years before the Corvée is entirely abolished.

2. A supplementary vote of £25,641 was granted to the Custom House for the purpose of organising an efficient Coast Guard service. £15,384 have been spent on the purchase of steamers and revenue cruisers, and in setting the organisation of the service on a sound footing. £5,128 have been devoted to a permanent increase in the number of Coast Guard officers. As the amount of revenue we shall derive from tobacco alone in 1886 is estimated at £256,400 against an average of £92,307 in the years preceding 1884, this expenditure may be considered as reproductive in the highest degree.

Notwithstanding these charges of a special nature, the expenditure of the year, after deducting the deficits of the Domains and Daira, which are practically beyond the control of the Egyptian Government, was kept well within the level of former years.

The Estimates of the Egyptian Government for 1886 give—

Revenue	...	...	...	...	£9,478,549
Expenditure	...	...	...	...	9,469,483
Showing a surplus of	...	...	...	...	<u>£9,066</u>

From the comparison with 1885, it will be seen that the estimated revenue of 1886 is £406,000 less than the revenue collected in 1885. It must, however, be borne in mind that £256,000 have been deducted from the land tax and are to be applied to the reduction of the Corvée. The labour of cleansing the canals, which has hitherto been performed by the Corvée, will in 1886 be executed by contract to the extent of £256,000. This reform constitutes a great relief to the poorest members of the agricultural community. A further sum of £205,128 has been set aside either for the reduction of the land tax in districts where it is clearly shown that the present assessment is excessive or to meet shortcomings in the collection of the tax; in either case the reduction in the assessment will not represent a diminution of revenue of equal amount, as the former high assessment was not collected in 1885 and could not have been collected in 1886.

The revenue from the tax on imports and exports has been estimated below the amount obtained in 1885 owing to the fall in the general level of prices. The tax, being *ad valorem*, must suffer under present conditions. The reduction in the estimate of the total

Custom House revenue is £14,359. It is estimated that the increased tobacco tax, which only took effect during the second half of 1885, will, in the twelve months of 1886, give an increased revenue, owing to its application in both half years. The estimated figure is £246,154 against £217,435 in 1885, £127,179 in 1884, and an average of £90,000 in previous years. The improvement in the Coast-guard service, which has been obtained at a comparatively small cost, has practically put an end to smuggling; and the increase of duty has not led to the considerable diminution in consumption which was expected. Measures taken hitherto in connection with this subject have proved a complete success; but the state of tobacco legislation in Egypt is not altogether satisfactory. Foreign tobacco pays a duty of 10 piastres (= 2s. 0½d.) per kilogramme, while native tobacco pays only 2 piastres (= 5d.) per kilogramme if consumed in country districts, and 4½ piastres (= 11½d.) if consumed in towns. In the case of native tobacco a considerable amount of fraud takes place and more stringent regulations are urgently required. The difference of tax in favour of native tobacco is too large and should be diminished. Great difficulty will, however, be experienced in increasing the tax on native tobacco, as most of the tobacco land belongs to Pashas whose representatives constitute a majority in the Legislative Chamber.

The revenue of the Octrois has been estimated to give £348,000 against £307,800 in 1885. I have no doubt that the estimate will be reached if the measures proposed by the Finance Department for the suppression of smuggling and for the collection of the duty are put in force. The present state of the law on this subject is scandalous, and renders all good administration impossible. The most satisfactory system in Egypt is to interest the public in the exact execution of the laws, and encourage Government officials, by considerations of personal advantage, to act honestly in the suppression of contraband. The most practical form in which this idea can be put into action is to levy considerable fines for contraband, and to give the entire fine to those who bring about the detection of fraud. It is vain to expect an official on £1 a month to refuse bribes from considerations of moral duty. At present he has more to gain from the smugglers than from the Government. The worst that can happen to him, if he is detected, is that he would be dismissed, and thereby lose the miserable pittance which he gets from the State.

With regard to the estimated revenue from the Railways, £1,428,050, I should state that the Railway Board estimated their receipts at

£1,487,000. This figure appeared to me too high, and in view of the reduction of the cotton crop and of the probable diminution of military transports, I am doubtful as to whether even the reduced estimate is not based on too sanguine a view of the situation.

The rents derived by the Government from the landed property in their possession must be expected to decrease with the fall in the price of produce, and to decrease in a far larger proportion. It is not, I think, sufficiently understood that a fall of 20 per cent. in the price of produce implies a fall in the annual value of land, not of 20 per cent. but of 50 or 60 per cent. Take the instance of a farm of which the produce formerly sold for £1,000. The taxes amounted to £200 a year; the expenses of cultivation were £400, leaving a net profit of £400, which at twelve years' purchase would give a selling value of £4,800. Supposing the prices to have fallen 20 per cent., the produce would sell now for £800, leaving a net profit of £200, and a selling value of £2,400, or half the former price.

The amount derived from contributions to the Pension Fund is much smaller than in all previous years except 1885. This diminution is due to—

1. Modifications introduced in the practice of levying this contribution. It was formerly deducted from the salaries of both those officials who had a right to pension and those who had not. This system appeared so unjust that the Council of Ministers decided to exempt from this tax all those who had no right to a pension on quitting the service.
2. A considerable reduction both in the amount of salaries paid and in the number of officials employed.

The budget of Expenditure of 1886 follows closely the Normal Budget of Expenditure on which the Convention of the 17th March is based. Great difficulty has been experienced in reducing the budgets of the several Departments to the required level, and it is probable that Revenue has been in some cases sacrificed to the desire of remaining within the limits of the £5,371,000 allowed for Administrative Expenditure. This is the case more particularly as regards Indirect Taxes, where an increase of control would lead to an increase of Revenue. The task of reducing establishments and dismissing unnecessary employes is always ungrateful. It is particularly so in Egypt, where the necessity of rigid economy is caused by the enormous charges paid annually on account of a Debt which is held almost exclusively by foreigners. Attempts have been made

at different times to bring a portion of the National Debt into the country, but investment, except in land, is almost unknown in Egypt.

The total Administrative Expenditure amounts to £14,360 less than the sum allowed by the Convention, including an amount of £18,850, the cost of collecting new taxes.

A large number of transfers of work from one Department to another has been made with a view to dividing the labour on a more rational basis and affording greater facilities for control.

No margin is left for unforeseen expenditure, and the impossibility of providing a credit for that purpose forms the most unsatisfactory feature of the Budget. There is no doubt that, if you provide an amount for unforeseen expenditure, a strong temptation to expend it is given. On the other hand, if no credit is provided, demands come upon the Treasury in the course of the year which it is very difficult to meet without a supplementary vote. It must, however, be clearly understood that in 1886 no supplementary credit can be voted without exceeding the limit fixed by the Convention, unless, at the same time that the credit is voted, an economy on one of the Budget-heads is effected.

The Convention provides that the Railway Administration should have the right to expend 45 per cent. of their gross receipts. This is a much larger proportion than they have been in the habit of spending during past years. The figures have been :—

		Receipts.	Expenses.	Net Revenue.	Percentage of Expenses to Receipts.
		£	£	£	
1880	...	1,230,064	460,184	769,880	37½
1881	...	1,327,972	451,797	876,175	34
1882	...	1,213,894	408,745	805,149	33½
1883	...	1,215,356	509,382	705,974	42
1884	...	1,440,375	557,969	882,406	38½
1885	...	1,518,625	606,424	912,201	39

I have already stated that the Railway Board estimated their receipts at £1,428,050, and that the Ministry of Finance has reduced this sum by £51,282. The amount of their receipts, however, depends to a great extent on the cotton crop, and on the state of affairs in the Soudan. It is understood that, should the receipts not

reach the figure estimated, the expenditure will be proportionately reduced and kept within the 45 per cent. allowed by the Convention.

I have frequently drawn the attention of the Egyptian Government to the great danger threatening Egyptian Finance from the excessive liberality of former pension laws. The cost of pensions, including those of the Eastern Soudan, amounted to :—

1880	...	...	...	...	£213,333
1881	...	...	...	...	280,000
1882	...	...	...	...	351,800
1883	...	...	...	...	333,333
1884	...	...	...	...	471,800
1885	(including £50,000 for Eastern Soudan Pensions)				494,000

This enormous increase is due mainly to :—

1. To a reduction in the Administrative Staff.
2. To the abandonment of the Soudan, which has forced a large number of officials to retire from active service.
3. To a diminution in the Army.
4. To the fact that the extravagant pension laws; promulgated in former reigns, have only now begun to have their full effect.

In the Normal Budget no estimate was made for the deficits of the Domains and Daïra Administrations, but it is interesting to refer to the ideas which prevailed at the Conference with regard to the probable charge, which would fall on the Egyptian Government on this account. In March, 1884, an estimate, based upon information given by the Commission of the Domains and of the Daïra, was framed on the basis of a deficit of £138,500 for the Domains and £51,000 for the Daïra. In November, 1884, a fresh estimate was formed of the deficit, and it was then thought likely to amount to £307,700 for the two Administrations. The original estimate for the deficit of 1886 amounted approximately to :—

Domains	...	...	...	...	£307,700
Daïra	...	...	...	...	51,300

but the price of sugar has since fallen considerably, and the Daïra deficit will, I fear, exceed the above estimate.

These figures do not include any deduction on account of the 5 per cent. tax on the Coupons. In the case of the Domains, however, deduction of £39,000 has been made from the deficit, on account of the sinking fund which is now suppressed. The deficit would therefore have been £346,700 under the conditions which existed at the time of the London Conference.

This increase in the charges thrown upon the Egyptian Government, on account of the Domains and Daïra Loans, goes far to annul the improvement in the financial condition of Egypt which has been effected at the cost of great labour and sacrifice. The whole Egyptian Budget is thrown out of balance by the existence of these deficits. In 1886 there would have been a considerable surplus without alteration in existing legislation, if the Domains and Daïra Estates had been able to pay the service of these loans. I can fairly state that the position of the Egyptian Government would be a very satisfactory one were it not for the Domains and Daïra Loans. The net profit in 1885 on the Domains has amounted to little more than £100,000, that is to say that will represent less than $1\frac{1}{2}$ per cent. of the capital outstanding, $3\frac{1}{2}$ per cent. having to be paid by the Government. It is most desirable that a conversion of these loans should be made as soon as the state of Egyptian credit renders such an operation possible. The question is one of the most urgent importance for both the financial and economic future of Egypt.

Important discoveries of Petroleum springs at Temse and Jebel Zeit on the shores of the Red Sea were made early in the year, and although the oil at present does not appear to be of very good quality, and is what is termed surface oil, yet there is sufficient promise to justify the vote of £30,769, which appears in the estimates for the present year. Some remarks on this subject will be found in Mr. Vincent's report on the Budget of 1887, which is given below *in extenso*, as being of the highest interest at the present moment.

It is stated that commercial relations with the Soudan are to be reopened forthwith.

Arrangements are being made for the widening of the Suez Canal by the Company. This involves the purchase from the Government of 10,000 acres of what is for the most part desert land at a price of about £9 10s. per acre, being the price paid to M. Lesseps for the land not required by him and repurchased by the Government. The

Government is also to share with the Company the profits realised above that amount on the sale of any of the lands so required.

The following is Mr. Vincent's Report on the Budget for 1887 :—

The estimates of the Revenue and Expenditure of the Egyptian Government for 1887 were presented to the Council of Ministers on Dec. 1, and after some discussion they were agreed to.

The Budget is only provisional, as it must be submitted to the Legislative Council before the Decree putting it into execution can be issued. The figures, however, may be taken as representing closely the final Budget, as it is not probable that the Legislative Council will introduce any important modifications.

The estimates show :—

Revenue	...	...	...	£9,923,330
Expenditure	...	...	...	<u>9,875,857</u>
Surplus	...	...	...	<u>£47,473</u>

I propose in the following memorandum to deal in some detail with the different items of Revenue and Expenditure.

REVENUE.

The land tax has been taken at £5,427,091, which represents the full amount due by the different landowners during the year ; but it includes nothing for the collection of arrears. The average land tax collection during the last three years has amounted to £5,277,347, or £149,743 less than the amount due in 1887. A deduction of £153,846 has therefore been made under the head of non-valeurs, which represents the estimated amount by which the revenue collected will fall short of the taxes due. Thus, if the land tax yields as much as the average of the last three years, the revenue will be £4,102 in excess of the present estimate. This anticipation appears a reasonable one, as the Nile rose favourably during the autumn of 1886 and left but a small area in Upper Egypt unirrigated. Little deduction need therefore be made on account of *Sheraki* or unirrigated land. The change in the dates for collection of the land tax in Lower Egypt has proved a great boon to the cultivator. The postponement of taxes from January and February to November and December enables him to

keep the proceeds of the sale of the latter portion of the cotton crop to meet the expenses of cultivation during the year. He is thus free from the necessity of borrowing from the petty usurers in the provinces.

There is nothing more remarkable in the history of the last three years in Egypt than the gradual disappearance of the village money-lenders. The amount of the indebtedness of the fellahen has been still further diminished during the past year. It is curious to observe that with the diminution of borrowing in the villages the cry for land credit and for land banks has practically ceased.

There appears little reason to doubt that the partial abolition of the *Corvée* has ameliorated the condition of cultivators of the poorer class and has rendered the burden of the land tax less heavy for them to bear.

The professional tax has been estimated in the Budget at £181,897, but it appears doubtful whether so large a sum will be collected. The assessment of this tax is most unsatisfactory. The new License Law which is intended to replace the present regulations concerning this tax will constitute a great alleviation to the poorer class of tax-payers while it will distribute the burden more equitably on the rich. An amount of £27,692 has been provided for non-valeurs on the professional tax, bringing the real estimate down to £154,205. The average collections of the last three years have amounted to £167,179.

The application of the new law on House Property has been estimated to give £123,036, but to this must be added a considerable amount of arrears from 1886, which could not be collected in that year owing to delay in the assessment of the tax on foreigners. The arrears of 1886, which will be paid in 1887, have been taken at £30,769, a moderate estimate.

The other direct taxes are of inconsiderable amount and call for no special comment.

The growth of the Custom House revenue in late years is one of the most promising features in Egyptian finance. In 1883 the revenue amounted to £775,384, in 1884 to £816,410, and in 1887 it is estimated at £936,820.

The main head under which the Custom-House revenue has shown an increase is tobacco. In 1880 the duty on imported tobacco gave £62,564; the average receipts from this resource between 1881 and 1883 amounted to £93,333; in 1885 they were £217,435, and in 1886 they will reach £307,692. These results are due in a great measure to the Commercial Conventions concluded with Greece and other

Powers, the effect of which has been to stimulate honest trade and to stop the smuggling which was previously carried on between Egypt and the Greek islands. The average annual imports from Greece to Egypt during the 10 years 1874 to 1883 were £18,974, whilst in 1885 they amounted to £68,717.

I propose to deal in a subsequent memorandum with the trade of Egypt during 1886. For the present I will only draw attention to the falling off in the value of exports.

The detailed export statistics for 1886 are not yet available, but it is estimated that the value of the exports for 1886 will not exceed £10,358,461. In 1885 they amounted to £11,717,949, and in 1884 they were £12,871,795. The exports of Egypt in 1886 have therefore fallen off £1,358,974 as compared with 1885, and £2,512,800 as compared with 1884.

The reduction of value would appear to be attributable in nearly equal proportions to a fall in the price of cotton and cotton seed, and to a diminution in the quantities of cereals and beans exported. The former is answerable for a falling off of £1,384,615; the latter for a deficit of £1,025,641 as compared with 1884. The amount of the cotton crop is this season larger than the average of previous years. On the other hand, the quantity of wheat exported appears to be steadily on the decrease. Previous to 1885 the average annual exports amounted to 350,000 ardebs. In the season of 1885-86 only 75,000 were exported, and this year, notwithstanding a crop above the average, not more than 85,000 ardebs will be exported. Again, the imports of wheat in 1885 were of the value of £157,949 as against £64,615 in 1884. These figures would seem to confirm the opinion of several merchants who have relations with the interior that a considerable increase in the consumption of wheat has taken place. The fellaheen who were previously nourished with maize and doura are now in a position to afford the more expensive diet of wheat.

Comparing the import duty of 1886 with the revenue under this head in previous years, it will be seen that up to the end of October it has given £396,923, against £468,718 in 1885, £296,922 in 1884, £408,205 in 1883, £285,178 in 1882, £392,820 in 1881, and £361,025 in 1880. The years 1882 and 1885 may be put aside as abnormal. In the former the rebellion of Arabi stopped the course of trade; in the latter exceptional circumstances, such as the issue of the new loan and the payment of the indemnities, contributed to swell the receipts. If we exclude these years, and take the average of 1880, 1881, 1883,

and 1884—namely, £389,743 for imports and £104,615 exports—we find that the duty collected on imports in 1886 is £7,179 in excess of the average, while the export duties are £25,641 below the average. This represents, in the value of merchandise, an increase of £89,743 in imports and a decrease of £2,564,102 in exports. If the year 1885 be compared with the above-mentioned average, it will be found that there is an excess on the import duties of £78,974, showing an increase in the value of goods imported of £984,615; while, on the other hand, the export duties amounted to £95,384, showing that the value of merchandise exported was £923,077 less than the average.

Before leaving the subject of imports and exports, I desire to draw attention to the increase in the exports of manufactured tobacco from Egypt to Europe. The following table shows the number of parcels of cigarettes forwarded from Egypt per Parcels Post between January and October during the last three years:—

	1884.	1885.	1886.
Austria	374	684	1,391
France	188	279	408
England	441	695	1,590
Germany	703	1,293	1,039
Other countries	182	390	679
	<u>1,888</u>	<u>3,251</u>	<u>5,107</u>

It will be seen that the number of parcels has nearly trebled.

The octroi revenue has been taken at £323,415, against an average for the last three years of £301,538. £15,384 have been allowed for non-valeurs under this head.

The salt dues have been taken at £224,108, with £18,461 for non-valeurs.

The revenue derived from these two heads showed a falling off in the early part of 1886. This was no doubt due in a measure to the inferior cotton crop of last year and to the general dulness of trade.

On September 1st a new salt decree was issued to replace the extremely intricate regulations previously in force. The amount of duty was maintained at the same figure but the system of administration was greatly simplified. A codification of the octroi regulations is before the Council of Ministers and will, I trust, shortly pass into law. It has been found necessary to increase both the number and the pay of the octroi staff. This has been carried out in Upper Egypt

with good results. The following table shows the revenue of the octroi in Upper Egypt since the new organisation came into force.

		1885.	1886.
June	... ..	£1,051	£1,356
July	... ..	912	1,176
August	... ..	837	1,180
September	... ..	766	1,026
October	... ..	722	1,048
November	... ..	631	1,010

The fish duties have been taken at £95,607 with an allowance of £13,333 for non-valeurs. The Public Works Department intend to lower the level of the water in all the lakes which line the northern coast in order to reclaim land for cultivation. This operation will eventually prove remunerative, but it must be expected to cause a diminution in the fish duties which are now collected, in the main, in lakes Menzaleh and Broullos.

The navigation dues have been taken at £74,648, being £2,050 less than the average of the last three years. It will be remembered that Lord Northbrook recommended a reduction of the Canal dues and of the tax levied on boats passing under bridges across the Nile. While I thoroughly agree in the principle of this reduction I am not prepared to recommend the Egyptian Government to effect it under the present financial circumstances. A general reduction of these dues would lead to a large falling off in the Railway receipts and I see no means of making good this loss of revenue from other sources. With a budget in which equilibrium can only be obtained with difficulty it is impossible to carry out economic theory in every case to its logical conclusion.

Stamps have been taken at £51,444 against an average of £58,461 in the last three years. This figure will not, however, be attained if the new law, which has been submitted to the Powers, is not speedily put in force.

Of the other indirect taxes the most important is the weighing duty. It was at one time proposed to abolish this tax and to replace it by adding 1 per cent. to the octrois duty. This scheme was presented to the Legislative Council, which agreed to the suppression of the weighing duty, but declined to accept the increase of the octrois. As the abolition of the weighing duties would entail a loss of £48,468 the Government were unable to adopt the views of the Legislative

Assembly. A Commission has been appointed to examine into the system of weights and measures in the country with a view to its simplification, and to the suppression of the fraud which is now perpetrated against the fellah by small cotton and corn dealers in the interior. This reform is one of great importance and would constitute a fitting corollary to the Monetary reform which has recently been executed with such signal success.

The Railway revenue has been taken at £1,407,179 against an average in the last three years of £1,441,025. This figure is perhaps the most doubtful one in the whole budget. It is based upon the estimate given by the Railway Board. Personally, I believe that this result might easily be obtained, were traffic rates for goods fixed with greater reference to river competition instead of being based on an unalterable kilometric rate.

The Telegraph revenue is estimated at £46,154 against £51,282 during the last three years. This revenue does not show the elasticity which might be expected. Some allowance must, however, be made for the fact that a great reduction has been made in the number of Government telegrams.

The Harbour of Alexandria, the Post Office and the Khedivial Steamboat Service are estimated to give respectively £110,051, £115,384 and £121,948, against an average in the last three years of £95,384, £112,820, and £138,461.

The increase in the case of the Harbour of Alexandria is due to the New Quay dues. It represents but a small return for the enormous expense incurred in constructing the new harbour. On the other hand, the Alexandria shipping trade has now the finest quays and harbour accommodation in the Mediterranean. The Government has had under its consideration a proposal to deepen and to improve the entrance into the Harbour of Alexandria. It was found, however, that little interest in the scheme was taken by the commercial and shipping community of Alexandria, and that they would not agree to any supplementary tax to reimburse the capital outlay required. Under these circumstances the further consideration of this subject has been postponed.

The Post-Office revenue shows a satisfactory tendency to increase, notwithstanding the extension of banking facilities in the small towns of the interior, an innovation which considerably reduces the Post Office receipts from the transmission of specie.

The diminution in the estimate for the Khedivial Steamers is due to the suspension of military operations on the Red Sea coast.

The estimates for the other receipt Administrations call for no comment.

The receipts from the Ministry of Justice are taken at £307,679 against an average of £305,641 in the last three years.

The miscellaneous receipts of the different Ministries are estimated at £204,050 against £61,538 in the last three years. This figure is composed of "Rachat Militaire" £153,846. Interest on funds in Alexandria, London and elsewhere £23,513, Miscellaneous Receipts £29,694.

The Rachat Militaire has given in 1886 about £246,154, but it cannot be anticipated that this figure will be maintained. The present estimate of £153,846 is a moderate one provided that revising commissions are sent out to the different provinces, and that the list of those who have been granted exemptions from military service for family reasons, or on account of physical incapacity, is carefully and honestly revised. The effect of taking this step will be not only to increase the receipts of the Treasury, but also to check the flagrant corruption which was formerly prevalent in the recruiting Commissions. In the provinces in which the lists have already been revised one quarter of the men previously exempted were found to be fit for service.

Miscellaneous Receipts are estimated in 1887 at £29,694 against £51,282 in 1886. This decrease is due to the old material which existed in the Government stores being now nearly sold off, and to the disappearance of the agio on the exchange of coin. This latter loss is due to the reform of the currency, but is more than compensated for by the great benefits conferred by that salutary measure.

Leases on Government Property are estimated to bring in £86,310, Souakim Receipts £14,154, and the Contributions to Pension Fund £41,025.

No allowance has been made for the application of the New Stamp and License Laws, as it appears doubtful when the consent of the Powers will be obtained.

The total of the above Estimates of Revenue is £10,169,484. From this must be deducted £246,154 allowed for non-valeurs, leaving an estimated real or net Revenue of £9,923,330, compared with £9,728,205 the average of the years 1884, 1885, 1886, and with £9,911,795 the Estimated Revenue for 1886.

EXPENDITURE.

The expenditure side of the account does not require any lengthy explanation, as the figures follow closely those of the budget of 1886.

The estimated expenditure on the Civil List is £367,282.

Administration and Revenue collection is set down at £1,893,042 against an average of £1,964,102 in the last three years.

The expenditure of the Administrations of Receipt is estimated at £965,591 against an average of £914,871 in the last three years. This increase is mainly due to Railway Expenditure, which by the Convention is allowed to attain 45 per cent. of the gross Railway receipts.

Public security will cost £604,633 against an average of £625,641 in the last three years. This chapter includes £133,488 for the Egyptian Army, and £200,000 for the Army of Occupation. It is foreign to my present purpose to enter into any detailed examination of the question of army expenditure. I would observe, however, that it is not possible to provide in the annual budget for a larger expenditure on the Egyptian Army than £133,488, unless the charge for the Army of Occupation is reduced. When the Soudan has been pacified, I cannot think that the maintenance of order in Egypt should cost more than the £605,128, which we propose to devote to this purpose in the budget of 1887.

It should further be borne in mind that military pensions which will cost over £205,000 in 1887 are not provided for under this vote. If they were deducted from the pension charge and added to Public Security in conformity with the practice of almost all countries, the total vote in 1887 would amount to £809,232, while the vote for the Egyptian Army would amount to £338,461.

The Eastern Soudan is estimated to cost £36,102.

The Pension charge, civil and military, will amount to £512,820 after deducting £56,410 to be economised by the commutation now in progress.

In connection with this subject the following table showing the reduction in the number of appointments to positions in the Civil Service will be of interest.

The number of Civil employes who in 1886 were on active service in all the branches of the Administration (The Railways and Mixed Tribunals excepted) was 9,925.

Of these 1,529 were appointed previous to 1863,

„	5,414	„	„	from 1863 to 1879,
„	2,390	„	„	„ 1879 to 1883,
„	592	„	„	„ 1883 to 1886.
	<u>9,925</u>			

From this it appears that of the officials on active service in 1886 there had been appointed—

between 1863 and 1879 about 318 a year,

„ 1879 „ 1883 „ 598 a „

„ 1883 „ 1886 „ 200 a „

In an examination of the above statement it should be remembered that the more remote the period under consideration the greater the number of deaths and retirements that have taken place from the total number originally appointed; consequently between 1863 and 1879, the average number of annual appointments was very much larger than 318 a year, which represents the average annual number of appointments of those employes only who still remain in the service, and so also between 1879 and 1883 the number of appointments was even greater than the number shown in the table, for some then appointed have certainly since left the service through death or other reasons.

From a financial point of view the above figures are very satisfactory, as they indicate an improvement in the control exercised over expenditure. It is worthy of notice that the great reduction in the average number of annual appointments dates from the creation of the Finance Committee.

£695,791 have been provided for Tribute against £681,872, included in Lord Northbrook's budget. The difference of £13,919 is due to the fact that we have now to pay the Tribute of Zeila which Lord Northbrook proposed to charge upon England. Zeila is not in the possession of Egypt. The figure of £695,791 also includes £35,897 for the Tribute of Souakim and Massawah.

The interest on the Suez Canal Shares purchase-money has been calculated at the full figure of £198,828.

£10,256 have been allowed for interest on Floating Debt. The necessity of making a provision for this charge is one of the greatest anomalies in Egyptian Finance. Owing to the arbitrary division of revenues between the budget assigned to the service of the debt, and the budget of the Government, it frequently happens that at a time when the Caisse de la Dette has a balance of Lst. 1,500,000 [*] which cannot be lent at more than 1 or 2 per cent., the Egyptian Government is compelled to borrow from banks at 4 or 5 per cent. It is a satisfactory sign of returning confidence in the Finances of

[* It was reported from Cairo on the 23rd December that the Treasury of the Debt have advanced a sum of £32,000 for nine months at 3½ per cent. interest to the Italian Government.]

Egypt that during 1886 advances were made to the Government at 4 and 3 per cent. as compared with 7 and 8 per cent. paid three or four years ago, and 12 or 15 per cent. which were paid ten years ago.

The deficits of the Domains and Daïra have been estimated at £400,000. No one without a knowledge of the future can predict the amount to be allowed under this head. The sum to be paid by the Government depends entirely upon the success of the Cotton and Sugar crops, and upon the prices at which these crops are sold. As evidence of the difficulty in making an accurate estimate under this head, I may state that in October, 1885, the price of Egyptian white sugar was 51 francs per 100 kilogrammes. If this price had been maintained there would have been no deficit on the Daïra in 1886. Prices, however, fell in the spring of 1886 to 32 francs per 100 kilogrammes, and have since remained nearly stationary, thus causing a loss of about £307,692, viz., the receipts from sugar sales for this year would fall short of an estimate made in October, 1885, by that sum.

The interest on the Privileged and Unified Debts has been taken without deduction of the 5 per cent. tax on the coupons. No provision has been made for Sinking Fund, the decree of the 27th of July clearly stating that the service of the Sinking Fund is only to be effected in the future from eventual surpluses.

Under extraordinary expenditure £256,410 have been provided for the partial suppression of the Corvée; £30,769 for further borings for petroleum at Temse and Jebel Zeit, and £35,897 for the recruiting commission, the collection of new taxes, and unforeseen expenditure.

With regard to the estimates for petroleum, I do not anticipate that the full sum will be expended without some compensation in the shape of receipts. If by the month of April oil has not been discovered in quantities sufficient to make boring remunerative it will probably be decided to stop the works and to sell the material purchased. This sale should give a considerable set-off against the estimated expenditure.

The general conclusion to be drawn from the estimates dealt with above is that, under normal conditions as to crops and prices, financial equilibrium will be maintained in 1887, and that in all probability a small surplus will be realised. This result will be obtained after devoting £256,410 to the great work of Corvée Reform, and after paying the coupons of the whole Egyptian Debt in full.

December 30th, 1886.

EDGAR VINCENT.

1886-1887.

The following table gives the estimates of the Revenue and the Expenditure of the Egyptian Government for the year 1887, compared with the estimates for 1886 :—

REVENUE.	Estimates.	
	1886.	1887.
1. Direct Taxes	£5,282,327	£5,811,162
2. Indirect Taxes	1,812,217	1,792,891
3. Revenues of Receipt Adminis- trations	1,909,644	1,912,208
4. Receipt of Administrative Services	362,147	511,733
5. Rent of Government Property ...	78,756	86,310
6. Souakim	—	14,154
7. Contributions to Pension Fund ...	43,715	41,026
	<u>£9,488,806</u>	<u>£10,169,484</u>
Deduct Non-Valeurs...	51,282	246,154
	<u>£9,437,524</u>	<u>£9,923,330</u>
Add proceeds of New Taxes ...	41,026	—
	<u>£9,478,550</u>	<u>£9,923,330</u>
EXPENDITURE.		
1. Civil List	£367,282	£367,282
2. Cost of Administration and Revenue Collection	1,864,757	1,893,042
3. Expenses of Receipt Administra- tions	974,321	965,592
4. Public Security	604,667	604,633
5. Eastern Soudan	102,564	36,103
6. Pensions	445,128	512,820
7. Tribute and Debt	4,732,940	4,763,053
8. Domains and Daïra Deficits ...	358,974	410,256
9. Remunerative Expenditure ...	—	56,410
10. Supplementary Votes	18,850	10,256
11. Suppression of Corvée	—	256,410
	<u>£9,469,483</u>	<u>£9,875,857</u>

DAÏRA SANIEH.

The Report of the Commissioners of the Daïra Sanieh for the year 1885 has not yet been received by the Council. The usual summary of it cannot therefore be included in this report. The Commission of Inquiry into the irregularities which took place in October, 1885, met last year to investigate the charges, when it appeared that the Director-General, Khalil Pasha, on the demand of the holders of some 13,000 acres of land, and on the report of his legal advisers, ordered the cancelment of the leases, without even taking any guarantee for the payment of the arrears, and without consulting his French and English Colleagues on the subject. This decision was then registered by him as if made by order of the Council. The leases were then put up to auction and realised about 34 per cent. less than the price for which they had previously been let.

A similarity in the names of the new and old tenants induced Messrs. Gay Lussac and Kelly to institute an inquiry, and it was found that the whole affair was a pre-concerted scheme for a reduction of rents. A fictitious correspondence was produced to support the statement of the Pasha that he had made due inquiries, both the letters and the replies to them having been written by the same hand, while no trace of their postage could be found.

In the end Khalil Pasha was dismissed from his post, while the European Controllers were severely censured for the laxity they had shown. Mr. Kelly has since resigned, and his place has been filled by the appointment of Mr. Hamilton Lang.

The deficit on the working of the Daīra for				
1885 is stated at	...	...	...	£ 19,288
which added to unpaid taxes	...	...	...	173,973
Makes a total deficit of				<u>£293,261</u>

The amount allowed for the deficit on the same in 1886 was £51,282, while the Budget for the present year fixes it at £205,128, although as explained by Mr. Vincent it is not capable of an accurate estimate.

STATE DOMAINS.

The following particulars are drawn from the Report of the Commissioners for 1885, received through the courtesy of Mr. Gibson, appointed English Commissioner, in the room of the late Mr. Rowsell.

The balance of 408,066 acres, in the hands of the Commissioners at the end of 1884, was further reduced in the following year by 3,063 acres, which realised a sum of £24,393. The land sold from 1879 to 1885 reaches a total acreage of 20,978, and deducting 130 acres, which had to be repurchased at a lower rate in consequence of the inability of the purchaser to complete the transaction, the total sum realised during that period amounted to £467,043, and adding to this amount the value of fourteen houses sold, viz., £300,775, the total becomes £767,818. Of this sum, £23,278 will only gradually become available, being payable by instalments, the last of which falls due in 1896.

The area of lands let gives a total of 225,913 acres. The total area remaining in the hands of the Commissioners at the end of 1885 amounted to 404,989 acres; deducting

63,291 acres of bad lands the net area becomes 341,698 acres of workable land.*

The charges on this property are as follows:—

Taxes	...	...	...	£140,221
Loans	...	...	...	391,990
				<hr/> £532,211
Expenses of cultivation and				
administration	...	...		427,324
				<hr/>
Total	...	...		<u>£959,535</u>

A calculation is made showing that there is a loss on letting, when compared with direct cultivation, of about 10s. 9d. per acre, and this loss for the seven years has reached the sum of £806,127, which is within a little the amount of the deficit in the revenue of the Domains shown in the following table:—

GENERAL ACCOUNT FROM 26TH OCTOBER, 1878,
TO 31ST DECEMBER, 1885.

ORDINARY BUDGET.

Receipts—

Direct Cultivation...	...	£4,787,047	
Lettings	...	2,120,917	
Houses	...	109,609	
Sundries	...	6,519	
			<hr/>
			£7,024,090 or £1,003,441 per annum.

* It should be noted that land in Egypt is sometimes twice cropped during the year, and for that purpose let to different persons for the two crops; and this circumstance renders it difficult to trace the exact acreage of lettings. The area dealt with in this way in 1885 was 16,298 acres.

<i>Expenditure—</i>			
Administration and Cul-			
tivation	£3,229,022		
Taxes paid to Govern-			
ment... ..	1,089,475		
Service of Loans	2,981,480		
	<hr/>		
	7,299,977		
Taxes not paid	573,999		
	<hr/>		
		£7,873,976 or £1,124,853 per ann.	
		<hr/>	
Total deficiency	£849,886	£121,412 per ann.	
	<hr/>	<hr/>	

This deficiency has been made up by the Government in—

Cash to the amount of	£536,797
Unpaid taxes	573,999
	<hr/>
Total	1,110,796
Deducting the total deficiency	849,886
	<hr/>
We obtain a balance of	£260,910
	<hr/>

Which sum formed the working capital on the 31st December, 1885.

The following Tables present a general view of the ordinary Receipts and Expenditure, year by year, from 1879 to 1885 inclusive:—

SUMMARY OF THE ORDINARY RECEIPTS FROM 1879 TO 1885.

Year.	Lands under cultivation.		Lands farmed out.		Houses.	Total.
	Area.	Produce.	Area.	Produce.		
1879	Feddans. 177,962	£ 932,815	Feddans. 169,618	£ 230,377	£ 35,472	£ 1,198,664
1880	149,022	853,695	195,883	266,772	21,737	1,142,204
1881	131,847	675,234	226,694	329,158	23,009	1,027,401
1882	122,445	592,759	253,047	389,688	16,408	998,855
1883	110,291	589,624	251,645	381,155	7,790	978,569
1884	134,029	572,865	234,758	331,188	3,603	907,656
1885	135,470	*460,976	225,913	327,095	2,180	790,251

* Including £54,734 produce unsold or not yet paid for.

SUMMARY OF EXPENSES FOR THE YEARS 1879 TO 1885.

	1879.	1880.	1881.	1882.	1883.	1884.	1885.	Total.
Taxes ...	£ 179,361	£ 173,502	£ 154,161	£ 151,482	£ 148,812	£ 147,692	£ 140,221	£ 1,095,731
Coupons and Commission.	213,562	426,997	424,324	420,876	404,665	390,100	370,758	2,651,282
Sinking Fund.	360	47,902	135,828	90,494	462,449	339,487	—	776,520
Tewitda Han- em Loan, Service of...	31,533	21,024	21,230	21,230	21,109	21,022	21,232	158,370
Advances ...	—	10,097	17,708	14,299	14,026	—	—	56,130
Purchases of Land ...	—	9,922	—	—	—	—	—	9,922
Total Amount paid for the Government.	425,316	689,444	753,251	698,381	1,051,061	598,301	532,211	4,747,565
Expenses of Cultivation & Administra- tion ...	471,910	468,111	521,574	446,029	413,994	427,895	427,324	3,176,837
TOTALS...	897,226	1,157,555	1,274,825	1,144,410	1,465,055	1,026,196	959,535	7,924,802

The Ordinary Expenditure for 1885

amounted to	£959,535
While the Revenue was only ...	790,251
Leaving a deficit of	£169,284
Adding unpaid taxes	96,070

The total deficit for the year be-
comes

£265,354

The following was the financial position on the 31st
March, 1886:—

	Expendi- ture.	Receipts.	Excess of	
			Expendi- ture.	Receipts.
1886—Ordinary Budget ...	£ 70,074	£ 35,438	£ 34,636	£ —
Extraordinary Budget ...	34,880	34,880	—	—
1885—Closed Accounts ...	1,086,679	865,298	221,381*	—
Supplementary Budget ...	6,278	33,801	—	27,523
TOTALS £	1,197,911	969,417	256,017	27,523

Excess of Expenditure £228,494

Working Capital 260,910

Surplus receipts £32,416

* This amount is made up as follows:—

Balance unpaid or produce unsold on 31st March,

1886	£54,734	£224,018
Deficit to be made good by Government ...	169,284	
Balance unpaid on 31st March, 1886 ...		2,637
Total as above		<u>£221,381</u>

This surplus is represented by the following amounts :—

Central Treasury...	...	...	...	£165
Rural Treasuries ...	...	...	...	9,572
Treasury at Alexandria ...	...	...	...	31
Bank of England...	...	...	...	3,673
Anglo-Egyptian Bank, Cairo ...	...	...	...	8,641
„ „ Alexandria ...	...	...	...	1,194
Paris Agency ...	...	...	...	923
London Agency ...	...	...	...	122
Messrs. Rothschilds & Sons' Account ...	...	...	...	585
Advances with Interest to Cultivators, etc. ...	...	...	...	30
Advances without Interest to Cultivators	...	...	...	6,192
Advances without Interest to others ...	...	...	...	1,159
Sundry Advances ...	...	...	...	13
Sundries, ...	...	...	...	116
				<hr/>
				£32,416
				<hr/>

In accordance with the Decree of 27th July, 1885, a Tax of 5 per cent. has been deducted on payment of the Coupons, and the operation of the Ordinary Sinking Fund has been suspended. A sum of £129,781, partly arising from land sales, and partly from indemnities for houses burnt at Alexandria, has been expended by Messrs. Rothschild in the redemption of Bonds by purchase, as shown in the following table :—

Year.	Stock Redeemed.			Total.
	By Sales of Land, &c.	By Ordinary Sinking Fund.	By Interest Set Free.	
1879	380	—	—	380
1880	5,620	42,120	—	47,740
1881	95,500	46,840	2,240	144,580
1882	54,500	43,160	5,140	102,800
1883	450,280	44,080	7,800	502,160
1884	49,080	—	11,140	60,220
1885	144,260	—	11,320	155,580
1886	15,380	—	5,400	162,300
Total				£1,175,760
Amount of Issue				8,500,000
Outstanding				<u>£7,324,240</u>

NOTE.—The amount proceeding from sale of lands, etc., from 1879 to 1885 inclusive, and employed in the redemption of Bonds, is stated to be £740,448.

The question of a consolidation of the Domain and Daïra Loans, and their assimilation with the Preference Debt, was mooted early in the year, but in spite of the manifest advantages which such a course would afford to the finances of the country, by the economy arising from the abolition of two expensive separate administrations, nothing has as yet come of the proposal; the chief difficulty being the disposal of the ultimate control of the lands.

Sundry claims on the Government have been made on the part of the Ex-Khedive and family in respect of:—

1. The seed in the ground on the cession of the Domains in 1878, together with the amount of taxes which had been paid in advance and cash in the offices.

2. Successive reductions in the amount of their pensions definitely fixed at the time of cession.

3. The confiscation of other property by the Government. The claims exceed £5,000,000. The amount of the annual pension granted in exchange for the Daïra Sanieh and Domains was fixed at £260,000.

GUATEMALA.

STATEMENT OF DEBT.

	£		£
5 per Cent. Loan of 1856...	70,600	Arrears of Interest to 1st Feb., 1887, inclusive...	40,595
6 per Cent. Loan of 1869...	468,600	Arrears of Interest to 1st April, 1887, inclusive...	318,648
	<u>£539,200</u>		<u>£359,243</u>

Guatemala Committee.

General Sir George Balfour,
K.C.B., M.P., *Chairman*.
George Cavendish Taylor, Esq.,
Deputy-Chairman.
Right Hon. E. Pleydell Bouverie,
Ex-officio.
J. C. Bayley, Esq.
L. N. Bonar, Esq.

James Roberts Brown, Esq.
Hyde Clarke, Esq.
F. G. Horne, Esq.
Count de Torre Diaz.
Morgan Yeatman, Esq.

Secretary.

Charles O'Leary, Esq.

The unsatisfactory position in which this Debt stood at the beginning of last year remains unchanged. It will be remembered that, previous to that date, and in consequence of the heavy expenses occasioned by the Central American War in 1885, the Government postponed the payment of interest on the External Debt for another year. But the resumption which was to have commenced in August last has not taken place, and it would seem as if all intention to carry out the Agreement proposed to, and accepted by, the Bondholders in 1885 had been abandoned.

In the meantime private individuals have on two different occasions approached the Council with proposals, more or less plausible, for the settlement of the Debt; but, unprovided as they were with proper credentials from the

Government whom they professed to represent, their proposals led, and could lead, to no practical result. The same fate has attended Mr. F. G. Horne's endeavours to make an arrangement in Guatemala, judging from the following telegram received in October last by the Council from the Government of that Republic, and to which publicity was given at the time :—

" From Guatemala.—To Foreign Bondholders' Office,
" 17, Moorgate Street.

" The Chief Officer of the Minister of Finance of Guatemala certifies that the Council of State of the Government of Guatemala, in session of the 4th September instant, declared inadmissible the propositions of Mr. F. G. Horne respecting the English debt, and I issue the present (telegram) by order of the General President in Guatemala on the 20th September, 1886.

" ANTONIO MICHEO—*a stamp*.

" Office of the Secretary for Finance and Public Credit of the
" Republic of Guatemala, Central America.

" The undersigned, Secretary of State for Foreign Affairs, certified that the preceding signature is authentic.

" FERNANDO CRUZ—*a stamp*.

" Office of the Secretary of State for Foreign Affairs of the
" Republic of Guatemala, Central America.

" And certified that the signature of the Foreign Affairs' Secretary, Señor Fernando Cruz, is authentic.

" J. F. PONCIANO,

" Superintendent of the National Telegraph."

Such being the case, it would be useless to advert in detail to the elaborate scheme of Settlement propounded by that gentleman. The same observation applies to the two proposals made to the Council in London. It will be time enough to consider them when they come before the

Council and Committee of Bondholders, clothed with the necessary official sanction; and that time may not now be far distant, as the country is said to be reviving from the financial and industrial prostration of the last few years, which the war with Salvador did so much to aggravate.

Recent statistical information, financial as well as commercial, is altogether wanting. The Internal Debt of the Republic on the 30th December, 1885, the date of the latest Return in the possession of the Council, was \$6,570,694, including \$432,694 due to the Northern Railway.

The subjoined table of Revenue, Imports, and Exports, which has been compiled from official sources, contains information alike interesting and instructive; but, unfortunately, it stops short at the year 1883, and affords no clue to the present financial and industrial situation of the country. With a view to increase the Export trade, the Government has exempted coffee and other native productions from internal taxation and Export dues for ten years; and as regards coffee, a bounty of 50 cents is, in addition, offered on every quintal exported.

Year.	Revenue.	Imports.	Exports.
1860	\$656,319	\$1,520,050	\$1,850,581
1861	605,244	1,495,191	1,106,583
1862	642,355	1,093,040	1,368,150
1863	714,186	745,042	1,498,311
1864	893,710	1,414,904	1,562,916
1870	956,723	1,374,897	2,391,414
1871	885,531	2,403,503	2,657,715
1872	1,798,222	2,269,214	2,704,068
1873	2,148,651	1,991,830	2,364,265
1874	2,352,012	3,054,004	2,300,621
1879	3,534,758	2,929,461	4,605,633
1880	3,844,412	3,035,536	4,425,336
1881	4,812,646	3,664,674	4,084,348
1882	4,411,886	2,652,042	3,719,209
1883	4,054,861	2,030,893	5,718,341

The great increase in the Revenue in the years 1881 and 1882 was caused by the realization of certain Church properties.

Since the foregoing was written, and in reply to a letter from the Council asking for a written confirmation of the telegram from the Guatemala Government, above referred to, the following communication has been received from the Minister of Finance :—

[*Translation.*]

SECRETARIAT OF FINANCE,.

GOVERNMENT PALACE, GUATEMALA,

3rd January, 1887.

C. O'Leary, Esq.,

&c., &c.

SIR,

As Secretary of Finance I duly received your letter of 18th October of last year, in which you express a desire for the official confirmation of a telegram published in the *Daily Telegraph* of the 20th of that month, relating to the rejection by the Council of State of the proposed settlement of the External Debt of Guatemala presented by Mr. F. G. Horne.

In effect, the proposals submitted by that gentleman appeared inadmissible for the reason of being incapable of fulfilment. Subsequently Mr. Horne treated with the Government for the acceptance of certain bases which, but for a small difference, would have been signed, as the Government was disposed to accept them, considering them suitable for the country and capable of fulfilment.

Meanwhile, Messrs. Nathan & Co. have arrived in this city, and have made the Government a proposal to establish a National Bank, which should be charged with

the payment of the External and Internal Debt, and this proposal is now under consideration.

The Government considers it one of its principal duties to pay all its creditors, and hopes soon to be able to give assurance that it will do so, and what is more, out of its own resources. Peace prevails at the present time and nothing appears likely to disturb it, and the Government bases its chief hopes on this circumstance.

I am, &c., &c.,

(Signed) JUAN J. RODRIGUEZ.

HONDURAS.

5 per Cent. Loan, 1867	...	...	£78,800
10 " "	...	...	900,700
6 $\frac{2}{3}$ " 1869	...	...	2,176,570
10 " 1870	...	...	2,242,500
			<hr/>
			£5,398,570
			<hr/>

In arrear from January, 1873, inclusivè.

Committee of Honduras Bondholders.

Right Hon. E. P. Bouverie,
Chairman.

F. McAlpine, Esq.

Lieut.-Col. W. T. K. Betty.

U. R. Burke, Esq.

Major-General Sir John Hamil-
ton Cox, Bart., C.B.

Roger Eykyn, Esq.

Alfred Jaques, Esq.

W. Richardson, Esq.

His Honour Judge Snagge.

Geo. Cavendish Taylor, Esq.

E. Wright, Esq.

Secretary.

Charles O'Leary, Esq.

No definite progress has been made towards the settle-
ment of this Debt, nor could any have been expected in
the unsettled condition of Honduras during the last year.

But indications are not wanting that the Government is at last awakening to the importance of effecting an arrangement with its creditors, which of itself is a hopeful sign.

The information from Honduras is of a very meagre character, and the Council are again indebted to Mr. Binney, the Consul-General for the Republic in Great Britain, for favouring them with some interesting and valuable information relating to the country.

The Republic is divided into thirteen Departments, the affairs of each being presided over by a governor, a military commandant and a judge. The capital of the country, Tegucigalpa, is centrally located. There is no direct taxation, the revenue of the Republic being derived from liquor, tobacco and import duties. No information of an official character as to the Income and Expenditure was published during 1886. Congress was to meet on the 5th January, when the Financial Accounts for the years 1884-5, and 1885-6 were to be presented. Sufficient time, however, has not elapsed to enable the documents to be received in this country, hence the Council regret that they are unable to publish them in this report.

The peace of the Republic was seriously threatened on two occasions during the past year. The first attempt was an expedition fitted out in New York, which was, however, promptly suppressed by the United States Government as soon as they became aware of its true character. The vessel was seized, condemned, and sold. The second attempt was made by a force collected in Nicaragua, which invaded the Republic, but after a month's desultory fighting was finally dispersed. The result of these alarms and disturbances was to involve the Government in unex-

pected and heavy expenditure, and consequently in a considerable increase of the Floating Debt.

The Mining industry of the Republic continues to attract a good deal of attention, but the want of proper means of transport from the interior to the coast, in the absence of railroads, is a very serious check to the more rapid development of this class of enterprise, as, in fact, it is to all commerce in general throughout the country.

The Mining enterprises of the Republic are mostly in the hands of North American capitalists, the principal being the Yuscaran Manufacturing Company of New York, which have five mines with a capital of \$5,000,000; the Honduras Manufacturing Company of New York, five mines with a capital of \$1,250,000; the St. Elma Manufacturing Company of New York, with seven mines and a capital of \$1,500,000; the Gibraltar Manufacturing Company of New York, with three mines and a capital of \$1,000,000; the Paraiso Reduction Company of New York, with mills, and a capital of \$500,000; the Central American Syndicate Company of New York, with a capital of \$26,000. This latter company own many valuable concessions from the Government. It will thus be seen that North American capitalists have in the aggregate \$9,276,000 invested in mines in Honduras. These companies have for some time been engaged in the construction of a wagon road from La Brea, the chief port in the Republic, situated on the Pacific coast, to Yuscaran and Tegucigalpa.

General Don Luis Bogran, the President, is reported to be an enlightened man. He devised the plan which resulted in the Treaty of September, 1885, between Hon-

duras, Salvador, and Guatemala, which was strengthened in March last by the adhesion of Nicaragua and Costa Rica. By this Treaty, which was ratified on the 9th February, 1886, these five Republics of Central America have mutually guaranteed the integrity of their present territorial boundaries, and have bound themselves to assist with arms, munitions and troops, any one of their number that may be assailed by enemies either external or internal.

A concession for the establishment of a National Bank of Honduras, has been granted to a party of capitalists of Chicago, New Orleans, Minneapolis and New York. This concession gives to the incorporators the monopoly of all the banking business of the Republic, the right to act as the Fiscal Agent of the Government, to collect the revenues and to be the depository of the public Funds. The Bank is to have the free use of the telegraphs of the Republic, and to issue notes which the Government guarantees, and which are to be receivable at par for all classes of taxes and duties. The capital is \$1,000,000, of which \$250,000 is to be called up, which sum is reported to have been ready in order to enable the Bank to commence business. The chief-office is at Tegucigalpa, with branches at Amalpa, Puerto Cortez and Truxillo. The Government limits its right to borrow \$100,000 a year, for which it agrees to pay 10 per cent. interest. The Government will deposit with the Bank the Customs Duties of all its ports every three months.

There is but one railway in the Republic, which is 37 miles long, running from Cortez to San Pedro. This is intended to be the first section of a projected Inter-oceanic Railway, uniting the Mexican Gulf with a port on the

Pacific.—A concession to build a railway to connect the port of Truxillo with the port of Cortez on the Atlantic, has been granted to a company registered in New Orleans. The length of the proposed line will be about 120 miles, and the Company obtain a grant of 9 square miles of land for each mile of railway laid down. This grant is, however, subject to the completion of the road between the two ports.

The Government has during the year received several proposals soliciting a concession of the Inter-oceanic route between Puerto Cortez and the Gulf of Fonseca, with offers to complete and work a railway between these two ports; but as yet none of these proposals have been accepted. The Government is, however, said to be favourably disposed to grant a concession of this Inter-oceanic route accompanied with a large land grant, mining privileges, and other valuable considerations, with the express condition that the concession be submitted to the Bondholders for their approval, and that they have the option of exchanging their Bonds for shares in the company that would be formed to carry out the object of the concession.

Since the foregoing was written, the Message of President Bogran to Congress, which met on the 3rd of January, has been received, of which the following is an extract :—

“ There is one great difficulty which forms an almost insuperable barrier to our progress. I refer to our External Debt, that accumulation of obligations left us by our natural, but ill-regulated desire to possess an Inter-oceanic Railway.

“ This is not the time for considering on whom rests the responsibility for the failure. The fact remains that

" we have to answer for this enormous Debt ; and unless
 " we can make a settlement with regard to it, although we
 " perform miracles, we shall never get another cent. of
 " credit abroad.

" Economic laws are not to be set aside, and it is for
 " our honour and advantage to enter into a settlement
 " of this Debt without loss of time. The occasion is
 " favourable. Costa Rica has set us an example in an
 " analogous case, and there is scarcely a country in the
 " world which has not at some time or another suffered
 " from similar circumstances. I believe that a favourable
 " arrangement with the Bondholders, and one that would
 " include the construction of the Inter-oceanic Railway, is
 " practicable. I have received two proposals in this sense,
 " which I hope to lay formally before you during the
 " present month."

MEXICO.

Committee of Mexican Bondholders.

H. B. Sheridan, Esq., *Chairman.*

Francis Bennoch, Esq., *Deputy Chairman.*

The Right Hon. E. Pleydell
 Bouverie, *Chairman of the
 Council of Foreign Bond-
 holders. Ex-officio.*

The Right Hon. G. A. F.
 Cavendish Bentinck, M.P.

Lionel N. Bonar, Esq.

M. Castello, Esq.

Roger Eykyn, Esq.

Henry Guedalla, Esq.

James Corbet Irving, Esq.

P. McLagan, Esq., M.P.

B. Newgass, Esq.

Admiral of the Fleet Sir Provo
 Wallis, G.C.B.

E. Wright, Esq.

Secretary.

W. W. Holmes, Esq.

It was stated in the last Annual Report that, consequent
 on the promulgation of the Mexican Decree of the 22nd

June, 1885, for the Consolidation of the National Debt, the Council determined to send an Agent to Mexico, with a view to facilitate the conclusion of an arrangement of that portion of the Debt in which British Bondholders were interested, but had desisted from their intention on receiving an intimation from the Mexican Minister that his Government preferred that the negotiation should take place in London.

In furtherance of this intimation, General Francisco Z. Mena, Mexican Minister to the German Empire, was appointed Financial Agent in London, with full powers to enter into an arrangement with the Council and Committee, a choice which, as the event proved, was in every respect calculated to promote a satisfactory settlement of this long-pending question.

The exhaustive study which the matter had previously undergone, and the unofficial understanding which, upon some of the points at issue, had already been established between the Council and the Government, greatly facilitated the task of the Council and of the Mexican Representative in discussing and in settling the terms of an arrangement. Points, however, of crucial importance—chief among them the claims of the 1864 Bondholders—still remained undetermined, and it was upon them that the negotiations with General Mena principally turned. The frank recognition by His Excellency of the necessity of meeting these claims in an equitable spirit, having removed the last obstacle to a complete understanding, the following terms of arrangement were agreed upon and signed on the 23rd of June last :—

ARRANGEMENT agreed upon between the undersigned
General FRANCISCO Z. MENA, as Representative

of the Mexican Government, and the COUNCIL OF FOREIGN BONDHOLDERS, and the COMMITTEE OF MEXICAN BONDHOLDERS, of London, as Representative of the Holders of Mexican Bonds, to fix the mode of payment of the unpaid interest of the Mexican Debt of 1851, and other matters referring to the same.

1st. The Mexican Bondholders, in General Meeting assembled, shall accept the Decree of the Mexican Government, dated 22nd June, 1885, with the modifications rendered necessary by the present arrangement.

2nd. With respect to the unpaid interest on the Bonds of 1851, the mode of payment of which was reserved for a special arrangement in Article 19 of the aforesaid Decree of 1885, the Bondholders accept the following conditions:—

- A. In exchange for the £4,864,800 nominal amount of the Bonds denominated Three per Cent. Bonds of 1864, which the Mexican Government only recognised as representing the unpaid interest of the Bonds of 1851, from the 1st July, 1854, to the 1st July, 1863, there shall be issued New Bonds of the Consolidated Three per Cent. Debt at the rate of 50 per cent., that is to say, for each £100 of the Bonds of 1864, with all Coupons attached, the Bondholders shall receive £50 in Bonds of the New Issue.
- B. In exchange for the £6,144,990, the total amount of the Coupons and unpaid interest of the Bonds of 1851, from the 1st July, 1866, to 1st July, 1886, inclusive, there shall be issued New Bonds of the Three per Cent. Consolidated Debt, at the rate

of 15 per cent.; that is to say, for each £60 nominal value of the Coupons and unpaid interest of each £100 Bonds of 1851, the holders shall receive £9 in Bonds of the New Issue.

3rd. In exchange for the existing Bonds of the Deferred Debt of 1837, unpaid Certificates of the conversion effected in 1851, and Certificates issued by Messrs. Baring for the unpaid third part of the Coupon matured on the 1st July, 1866, there shall be issued, in accordance with paragraph B of Article 19 of the Decree of the Mexican Government of the 22nd June, 1885, New Bonds of the Three per Cent. Consolidated Debt, at the rate of 20 per cent.; that is to say, for each £100 nominal of those Bonds and Certificates, the holder shall receive £20 in Bonds of the New Issue.

4th. The first half-year's Coupon on the New Bonds to be issued for the conversion referred to in Articles 2nd and 3rd shall be paid on the 1st January, 1887, at the rate of 1 per cent. per annum, and, in accordance with the provisions of Article 5th of the Decree of the 22nd June, 1885, there shall be paid to the New Bonds $1\frac{1}{2}$ per cent. for the year 1887, 2 per cent. for the year 1888, $2\frac{1}{2}$ per cent. for the year 1889, and 3 per cent. per annum in and after 1890.

5th. The Mexican Government reserves to itself the right to fix, at its discretion, and when it may think fit, the date for the exchange of the Bonds of 1851 for New Bonds of the Three per Cent. Consolidated Debt, provided that such date be fixed so as to enable the exchange to take place before the 31st December, 1890.

6th. Until the date just mentioned (31st December, 1890), the Mexican Government will have the right to

purchase, at the market price, any amount of the Bonds of 1851 and the New Bonds to be issued. So likewise, up to the same date, the Government will have the right to redeem the Bonds of both classes by means of drawings at 40 per cent. of their nominal value.

After the 31st December, 1890, the Government will have the right to purchase, at the market price, the Bonds now to be issued, and which may have been issued in exchange for the Bonds of 1851, or to redeem them by drawings at 50 per cent. of their nominal value. All Bonds redeemed, either by purchase or drawings, shall be cancelled, and the number advertised in London.

In case drawings should take place, they shall be held in London in the presence of a Notary Public, and with all due legal formalities.

7th. The first half-year's Interest, at the rate of 1 per cent. per annum, which, under the Decree of the Mexican Government of 22nd June, 1885, is to be paid on 1st July, 1886, on the Bonds of 1851, shall be paid immediately after the ratification of the present arrangement by the Government and the Bondholders, in the following manner:—

The Bonds shall be presented at the Bank of Messrs. Glyn, Mills, Currie and Co. (Agents of the National Bank of Mexico), who shall pay such Interest, stamping the Bonds with a coloured stamp in a form to be settled hereafter.

8th. The issue of the new Bonds for the conversion referred to in Articles 2nd and 3rd shall take place as soon as this arrangement has been approved; and so soon as the Mexican Financial Agency, which the Mexican Government will establish in London to carry out the conversion,

receives the New Three per Cent. Consolidated Bonds to be given for the Coupons, Bonds, and Certificates, in the proportion and under the conditions laid down in Articles 2nd and 3rd, they shall notify the same through the Press, in order that they may be presented at the Agency for exchange.

9th. Respecting the Coupons of the Bonds of 1851, the Financial Agency shall detach them from the Bonds, giving in exchange the corresponding number of New Three per Cent. Consolidated Bonds. The same Agency, in returning the Bonds of 1851, shall deliver a sheet of eight Coupons attached to the Bonds in any convenient manner, such Coupons to represent the half-year's interest payable on the first of January, 1887, and the seven half-yearly payments accruing to the 31st December, 1890, up to which date may be delayed the final exchange of the Bonds of 1851.

10th. Should any Coupons belonging to the Bonds of 1864 or those of 1851 be missing, account shall be taken of the fact in order that a corresponding reduction shall be made when the exchange of the Bonds and Coupons takes place.

11th. The Mexican Government shall not issue in London more New Bonds than those required for the exchange of the Bonds, Coupons, and Certificates, mentioned in the present arrangement, and for the payment of the expenses strictly required, provided the issue for this purpose should in no case exceed £200,000 nominal.

Notice of all the amounts of New Bonds issued, and of all Old Securities deposited for conversion, will be published periodically through the Press by the Financial Agency.

12th. In respect of fractions arising in the course of the

conversion, Certificates representing the fractions of New Bonds shall be issued by the Mexican Financial Agency, exchangeable in requisite amounts for entire Bonds, within a period to be named in the Certificates; after which period any balance of New Bonds held against still outstanding Fractional Certificate shall be sold and the net proceeds distributed amongst the holders of the Certificates on presentation within a further date to be stated in the Certificates. Any balance of cash after the last-mentioned date shall be applied to redemption of Bonds in manner mentioned in Article 6.

13th. The conversion of the Bonds, Coupons, and Certificates, to which the present arrangement refers, shall be finished within one year and a-half from the date in which the Mexican Financial Agency in London makes the notification agreed to in Article 8th of having the New Bonds ready for exchange.

14th. The present arrangement shall be submitted by the undersigned for the approbation of the Mexican Government and of the Bondholders in General Meeting assembled respectively.

LONDON, the Twenty-third day of June, 1886.

For the GOVERNMENT OF THE REPUBLIC
OF MEXICO,

(Signed) F. Z. MENA.

For the COUNCIL OF FOREIGN BONDHOLDERS,
(Signed) E. P. BOUVERIE,

Chairman.

For the COMMITTEE OF MEXICAN BONDHOLDERS,
(Signed) H. B. SHERIDAN,

Chairman.

This arrangement was unanimously accepted by the Bondholders at a public meeting held on the 30th June, 1886. It was also approved and ratified by the Mexican Government by means of a Decree issued on the 13th of July, 1886, published in the official Gazette. Subsequently the Chamber of Deputies and the Senate passed resolutions recording their satisfaction at the completion of an arrangement of such vital importance to the credit of the Republic.

On the 2nd September, 1886, Messrs. Glyn, Mills, Currie & Co., acting on the authority of the Mexican Financial Agency, invited the deposit of the Bonds of the Loan of 1851 for the payment thereon of six months' interest at the rate of 1 per cent. per annum, due on the 1st July, 1886. The Bonds so deposited were stamped as follows:—

“Dividend of one-half of 1 per cent., due 1st July, 1886,
“paid hereon in pursuance of the Agreement dated 23rd
“June, 1886, between the Mexican Government and the
“holder of this Bond.”

The quotation of Bonds bearing the above stamp was granted by the Stock Exchange Committee on the 16th September last.

The conversion of the Debt at the offices of the Mexican Financial Agency, Blomfield House, London Wall, E.C., commenced on the 13th of December, 1886, and according to the latest information the amount of old securities lodged for conversion (up to the 31st January) was £6,186,597.

In his Message to Congress, on the opening of the Session in September last, the President of the Republic states:—

“ The arrangement entered into on the 23rd June, 1886, “ with the London Bondholders, in pursuance of the “ Decree of the 22nd June, 1885, and which was unani- “ mously approved by the Council of Ministers, has put “ an end to that long-standing question, and by it not “ only is a reduction of the Debt effected and other “ advantages secured, but the good name of the Republic “ upheld by the establishment of its credit abroad.

“ The Executive considers that the establishment of “ credit involves the development of industry and wealth “ through the confidence it inspires to the capital it is “ necessary to attract. It therefore proposes scrupulously “ to follow the path it has chosen, and to place beyond a “ doubt the fulfilment of the obligations incurred by the “ Government. For this purpose a Financial Agency “ has been established in London, and the amount for the “ First Coupon remitted to that City. This punctuality “ will be continued.”

It may be added that the second Coupon under the new arrangement, due on the 1st of January, 1887, was duly advertised for payment by Messrs. Glyn, Mills, Currie & Co., on the 20th December, 1886.

The English Convention Debt has been settled by the Representative of the Claimants in Mexico, at the rate of £150 of the new Consolidated Bonds of 1886 for each £100 of old Debt, including all arrears of interest. This settlement has been sanctioned by the Council at the request of the Mexican Government.

A comprehensive Report, addressed to the Council by their Accountant, on the economic and financial condition of Mexico, has been recently published and circulated among the Members of this Corporation. It is, therefore,

unnecessary to repeat in this Report the facts which it contains, and which for the most part are derived from official sources. Bondholders desirous of obtaining copies can do so on application at the Council House.

MISSISSIPPI.

Planters' Bank Bonds, 1831-3	...	\$2,000,000
Union Bank Bonds, 1838	...	5,000,000

Committee.

The Right Hon. E. P. Bouverie,	Arthur Tite, Esq.
<i>Chairman.</i>	William Trotter, Esq.
L. N. Bonar, Esq.	J. T. Wood, Esq.
J. Crouch, Esq.	
G. H. Hopkinson, Esq.	<i>Secretary.</i>
L. G. Moore, Esq.	Charles O'Leary, Esq.

In March last the Council received from their Correspondents in the State of Mississippi news of the defeat, in the House of Representatives, of the Bill passed in the Senate convoking a "Constituent Convention." As the only probability of an alteration in the existing provisions of the Constitution which forbid the recognition of the Debt depended on their repeal by such Assembly, there is no immediate prospect of a satisfactory settlement of the question.

The Council were, however, informed at the same time that considerable progress had been made towards the education of the people, in a sense favourable to the cause of the Bondholders.

When the Legislature meets again (in about a year), some hopes are held out that a different view may be

entertained by it as to what is for the advantage of the State and People of Mississippi.

PARAGUAY.

The External Debt of Paraguay of 1886 ... £850,000

Paraguay Committee.

The Right Hon. E. P. Bouverie,	J. Percy Leith, Esq.
<i>Chairman.</i>	Robert Monckton, Esq.
General Sir George Balfour,	F. P. Obicini, Esq.
K.C.B., M.P.	M. Van Raalte, Esq.
F. Bennoch, Esq.	G. N. Strawbridge, Esq.
Lt.-Colonel W. T. K. Betty.	S. Leith Tomkins, Esq.
L. N. Bonar, Esq.	H. Woodfall, Esq.
R. J. Browne, Esq.	E. Zuccani, Esq.
Hyde Clarke, Esq.	
George Herring, Esq.	<i>Secretary.</i>
L. R. Lack, Esq.	Charles O'Leary, Esq.

Paraguay Sub-Committee.

The Right Hon. E. P. Bouverie,	M. Van Raalte, Esq.
<i>Chairman.</i>	G. N. Strawbridge, Esq.
F. Bennoch, Esq.	<i>Secretary.</i>
George Herring, Esq.	Charles O'Leary, Esq.

The arrangement for the settlement of this Debt, concluded between His Excellency Señor Don José S. Decoud, the Special Commissioner of Paraguay, and the Council, was ratified by Congress on the 17th March last. It was, however, not until the 1st September that the Council were informed by the Government that they had appointed Mr. Christopher James, the Consul-General for Paraguay

in Great Britain, as the Representative of the State for the purpose of superintending the Conversion on behalf of Paraguay.

The Conversion of the Old Bonds commenced on the 17th November last. Up to the present time, £927,400 has been deposited with the Council for Conversion.

The first Coupon on the newly Converted Bonds fell due on the 1st of January, and was duly advertised for payment from that date by Messrs. Robarts, Lubbock & Co., the Agents for the service of the Debt.

At a Meeting of the Committee, held on the 27th January, it was—

Resolved,

“ That the Council be requested to convene a Meeting
“ of Holders of Paraguay Land Warrants to take steps
“ for the protection of their interests by the appointment
“ of a Committee or otherwise.”

In September last, the Presidential Election was held, and resulted in the appointment of General Escobar to the Presidency, and Señor Mirandā was elected Vice-President.

According to the Finance Minister's last Report to Congress, the Imports and Exports for the years 1883-85 were as follows :—

YEARS.	IMPORTS.	EXPORTS.
1883	\$1,384,000	\$1,599,000
1884	\$1,448,000	\$1,572,000
1885	\$1,476,000	\$1,660,000

The Budget for 1886-87, as sanctioned by the Congress, is as follows :—

PARAGUAYAN BUDGET FOR 1886-87.

REVENUE.		EXPENDITURE.	
Import Dues ...	\$481,238	Home Office ...	\$216,762
Export Dues ...	120,000	Foreign Office ...	21,000
Warehouse Rent ...	2,112	Finance Office ...	66,108
Interest on Bills ...	3,386	Justice and Public Instruction...	109,584
Transshipment ...	80	War and Navy ...	121,770
Duties on Small Articles ...	14,398	General Expenses, including the } 288,356	
Port Dues ...	6,000	Service of the External Debt. }	\$823,580
Hire of Forests ...	2,000		
Premium on Stamps ...	50		
Hire of Ferries ...	662		
Police Dues ...	696		
Telegraphs ...	6,367		
Mortgage Office ...	6,362		
Post Office ...	161,116		
Bonded Warehouse ...	3,200		
Legal Auctions ...	74		
Sale of Rural Lands ...	500		
Hire of Verbales ...	15,000		
Bank Licenses, etc. ...	50,000		
Total Revenue ...	\$873,241	Total Expenditure ...	\$823,580
or about ...	£174,648	or about ...	£164,716

From the above statement it will be seen that there is a surplus of \$49,661, or about £9,932, after payment of all expenses, including the interest on the Converted Bonds of the External Debt. This surplus is equivalent to about 6 per cent. on the Revenue.

The Council have been recently informed by Dr. Stewart, the Agent of the Bondholders in Asuncion, that the Custom House now yields about 100,000 hard dollars per month, and it was expected that in January this amount would be increased to 120,000 hard dollars. He also states that the Internal Debt has been completely paid off.

In the opinion of Dr. Stewart, the country has entered upon a new era of prosperity such as few expected a year ago.

The Land Law passed by the Paraguayan Congress in July, 1885, provides as follows :—

ARTICLE I. The Executive may sell public lands at prices not less than those specified below per square league (about 4,500 English acres).

1. Land between the Tres Bocas and San Salvador, in Paraguay proper, at \$1,200 per square league.
2. Those in Paraguay proper, but North of San Salvador, and those in the ruined Jesuit Missions, at \$800.
3. Those in the Gran Chaco, between the Pilcomayo, and a line abreast of Concepcion, within 10 leagues of the River Paraguay, at \$300.
4. Lands from 10 to 20 leagues distant from the River Paraguay, as high as Concepcion, and those facing the river northward from Concepcion to the Bolivian frontier, at \$200.
5. All other lands, such as those on the Pilcomayo, or more than 20 leagues inland from the river Paraguay, at \$100.

ARTICLE 2. Buyers shall pay one-fourth cash, the rest in three-yearly instalments, with 6 per cent. interest per annum. Those who prefer to pay cash will be allowed 12 per cent. discount per annum. Payment may be either in money or in Public Funds at par.

ARTICLE 3. Any buyer of 10 square leagues in the Gran Chaco will be allowed a reduction of 50 per cent. if within three years he establishes 25 European families, in all 75 souls, on the land.

ARTICLE 4. Persons preferring to rent lands from the Government may obtain them at 10 per cent. per annum of the foregoing prices.

ARTICLE 5. Any Company will receive a free grant of 25 square leagues on binding itself to introduce 140 agricultural families within four years.

ARTICLE 6. No one person can buy more than 100 square leagues, nor have more frontage than 10 leagues on a navigable river.

ARTICLE 7. All lands sold are subject to the right of making roads or railways through them without indemnity, unless for houses or fences pulled down.

The first Report of the National Bank of Paraguay was issued early in 1886. This Bank was founded in 1884 by private capitalists under the patronage of the Government. The Capital is \$1,500,000, of which \$375,000 only has been paid up. The net profits for the period ending 31st December, 1885, that is about a year and a-half after the opening of the Bank, amounted to \$281,132, or at the rate of more than 58 per cent. per annum. The great success of this Bank has led to the formation of another, called the Banco de Comercio, which was to have been opened on the 15th July last.

PERU.

				Amount outstanding
6 per Cent. Loan of 1870...	...	...		£ 11,141,580
5 " " 1872...	...	...		20,437,500
				<u>£ 31,579,080</u>

In default from January, 1876, inclusive.

Of the above amount the following Bonds have been Registered with the Peruvian Bondholders' Committee :—

Loan.	England.	France.	Belgium.	Holland.	Total.
6 % 1870...	£ 7,645,160	£ 1,064,380	£ 392,750	£ 1,075,220	£ 10,177,510
5 " 1872...	18,147,720	529,740	107,280	1,679,820	20,464,560
	25,792,880	1,594,120	500,030	2,755,040	30,642,070

And the following Bonds have been deposited with the Committee :—

	6 % Loan, 1870.	5 % Loan, 1872.	Total.
England ...	£ 100,210	£ 162,900	£ 263,110

As is well known the Peruvian Bondholders' Committee, which acts independently of this Council, has special charge of the interest of the above Loans.

The only Portion of the Peruvian Debt under the exclusive control of the Council is that of the Holders of Bonds of the Pisco to Yca Railway, of which mention is made further on.

The Peruvian Committee issued their annual Report on the 31st December last. In it will be found a detailed statement of the negotiations carried on with the Peruvian and Chilian Governments for the settlement of the Debt.

Since then the Council have received the Report presented to Congress by the Peruvian Minister of Finance, from which the following statistical information is extracted, showing, however imperfectly, the actual fiscal condition of Peru.

The Internal indebtedness so far as ascertained up to July, 1886, was as follows :

INTERNAL DEBT.

Paper Currency	\$ 83,746,923.14
Moneys not specified	„ 16,596,555.68
Silver	„ 2,910,371.76
Inca Notes	„ 2,753,864.68
American Gold... ..	„ 33,849.05
Pounds' Sterling	£ 19,105 : 17 : 4
Depreciated Silver	\$ 1,136
Francs	60

The Peruvian Silver Dollar (Sol) is equivalent to about three shillings sterling. The Paper Sol is equivalent to about two-pence halfpenny.

The Internal Debt already ascertained and the claims continually coming in for liquidation, are so large that the Minister of Finance estimates the interest thereon, as originally stipulated, will absorb a fourth, and perhaps a third, of the National Revenue.

The following table shows the amount of the Revenue from the 23rd October, 1883, to 31st December, 1885 :—

Year.	In Coin.	In Paper Money.
	Soles.	Soles.
From 23rd October, 1883, to 31st December, 1883	1,305,419.26	157,643.83
From 1st January, 1884, to 31st December, 1884... ..	6,208,366.37	822,300.78
From 1st January, 1885, to 31st December, 1885	7,889,751.55	41,752.34
	15,403,537.18	1,021,696.95

This Revenue was derived from the following sources :—

Source of Revenue.	In Coin.	In Paper Money.
	Sales.	Sales.
Customs	9,774,361.73	—
Contributions	1,193,766.65	217,225.13
Loans	1,125,456.83	101,527.22
Guano	2,112,808.76	—
Miscellaneous	1,197,143.21	702,944.60
Totals	15,403,537.18	1,021,696.95

The amount so received did not suffice to meet the expenses of the Administration, and the Government accordingly obtained a Loan from the Wharf and Dock Company for \$929,927, and also obtained Subsidies from the Municipalities of Lima and Callao for \$184,358.54 and \$9,000 respectively. Moreover, the Government received from the Peruvian Guano Company (Limited) of London, by way of compromise and settlement of all accounts with that Company, \$1,573,613.

During the same period, that is, from the 23rd October, 1883, to 31st December, 1885, the Expenditure amounted to \$14,716,662.95.

Years.	Amounts.
	Sales.
From 23rd October, 1883, to 31st December, 1883	\$1,079,447.89
„ 1st January, 1884, to 31st December, 1884	6,003,193.10
„ 1st January, 1885, to 31st December, 1885	7,633,981.96
	14,716,622.95

The Expenses were distributed as follows :—

					Sales.
Ministry of Interior	...	...	...	...	\$3,042,189.53
„ Foreign Affairs	...	...	...	...	297,875.33
„ Justice	...	...	...	...	385,888.46
„ Finance	...	...	...	...	1,171,358.61
„ War	...	...	...	...	5,702,801.17
					\$10,600,113.10
Miscellaneous Expenditure	...	...	...	...	2,794,285.76
Extraordinary „	...	...	...	...	1,322,224.09
Total					\$14,716,622.95

The relative importance of the different Custom Houses in the Republic may be gathered from the following table, which gives the gross receipts for 1885 :—

GROSS RECEIPTS OF THE CUSTOM HOUSES IN 1885.

Name of Custom House.					Amounts received.
					Sales.
Callao	...	...	...	...	\$3,286,294.13
Payta	...	...	...	...	169,588.85
Mollendo	...	...	...	...	115,212.08
Salaverry	...	...	...	...	107,610.77
Pisco	...	...	...	...	79,016.02
Eten	...	...	...	...	61,183.59
Pacasmayo	...	...	...	...	54,219.15
Pimentel	...	...	...	...	18,761.71
Ilo	...	...	...	...	9,799.20
Ancón	...	...	...	...	6,400.37
Total gross receipts					\$3,908,085.87

ESTIMATED REVENUE AND EXPENDITURE FOR THE TWO YEARS 1887 AND 1888.

REVENUE.		EXPENDITURE.	
	SOLES.		SOLES.
Customs ...	5,076,874	Department of the Interior ...	2,461,851
Post Office ...	167,760	Foreign Affairs ...	87,800
Other Contributions ...	2,246,695	Justice ...	898,211
Railroads ...	61,500	Finance ...	532,488
Telegraphs ...	39,000	War and Marine ...	1,726,534
Miscellaneous ...	500,008	... ..	1,140,794
	<u>8,091,837</u>		<u>6,847,678</u>

COMPARISON.

	For each of the above Years.	For the Two Years.
Revenue ...	S. 8,091,837	S. 16,183,674
Expenditure ...	6,847,678	13,695,356
Surplus ...	S. 1,244,159	S. 2,488,318

The Minister of Finance, in referring to the Contract of the 17th August, 1869, with Messrs. Dreyfus Brothers, for the sale of 2,000,000 tons of Guano, makes the following observations :—

“ The accounts of these Consignees which, in accordance with the legal regulations, should be liquidated and checked in the Chief Court of Accounts, were not examined and audited in due form in 1878-9, because the Government *de facto*, which came into power in 1880, decided, without recourse to judicial forms, the principal questions arising out of the charges pending against the said Consignees, and which ought to have been heard by the competent tribunals. That Government thus declared a balance against the Nation of £3,200,000, more or less. The charges already fixed by the constitutional Government, in their Decrees up to the 7th July, 1878, were hardly taken into consideration.

“ The Government is at present engaged in collecting all information as to this affair in order to take such measures as may be most legal and best adapted for the interests of the country.”

The following extract from the same Report explains the nature of the compromise arrived at with the Peruvian Guano Company, arising out of the Contract of the 7th June, 1876, for the sale of 1,900,000 tons of Guano :—

“ On the 29th May, 1885, the Minister Plenipotentiary and Financial Agent General of Peru, Señor Izcue, and the Liquidator of the Peruvian Guano Company, made a compromise which was approved by the Government at Lima on the 6th of August in the same year.

“ The accounts of this consignment, which had been presented by the Peruvian Guano Company with a

“ balance of £900,000 sterling, more or less, against the
 “ Nation, had been taxed by the Minister Plenipotentiary
 “ and the Financial Agent of Peru, Señor Rosas, with
 “ such good cause, that not only did the balance of
 “ £900,000, more or less, against the Nation, disappear,
 “ but the character of the said accounts was completely
 “ altered, showing a balance in favour of the Nation of
 “ more than £300,000 sterling.

“ Señor Bogardus, the Commissioner who succeeded
 “ Señor Rosas, continued the examination of the accounts,
 “ and brought to light new charges against the Company.
 “ The Commissioner Señor Izcue, then made the com-
 “ promise alluded to by order of his Government, receiving
 “ the sum of £260,000 sterling. All the documents relating
 “ to this Contract will be duly laid before you ; meanwhile
 “ I may mention that the Government has confided the
 “ management of these affairs to its Financial Agent in
 “ Europe, Señor José Antonio Miró Quezada.”

PISCO TO YCA.

THE PISCO TO YCA RAILWAY FIVE PER CENT.

LOAN OF 1869.

Original amount issued ...	...	...	...	£290,000
Amount outstanding ...	...	...	...	264,680
„ deposited ...	...	...	...	264,460

Committee.

Right Hon. E. P. Bouverie,
Chairman.
 F. Campion, Esq.
 Lieut.-Col. H. M. Le Champion.
 R. Eykyn, Esq.

J. Leigh S. Hatton, Esq.
 G. T. Rait, Esq.

Secretary.
 Charles O'Leary, Esq.

With reference to this Loan the following extract, which accurately describes the actual position of the question, is taken from the Peruvian Committee's Report, issued in December last :—

“ The Agreement of compromise with the Pisco to Yca Bondholders, dated 8th May, 1885, has been circulated amongst the Bondholders. Under that Agreement a sum of £89,925 3s. 10d. has up to the present time been paid, whilst £74 16s. 2d. has been reserved for outstanding Bonds, and a balance of £174,680 yet remains payable to the Pisco to Yca Bondholders. All moneys coming to the Committee are to be divided equally with the Pisco to Yca Bondholders until the above balance is satisfied, certain reservations being made in the event of the whole amount not being paid by the 31st of December, 1888. This Agreement, which was confirmed by the High Court of Justice on the 27th July, 1885, put an end to expensive and protracted litigation. From the order confirming this Agreement Mr. John Procter (whose position with regard to the Bondholders is well known) appealed. The Committee disregarded this appeal, and distributed the available balance amongst the Bondholders. Mr. Procter subsequently withdrew from the suit, and had to pay the costs of all parties.”

Of the entire amount of the Loan only Bonds for £220 have not been deposited. The Council have issued Certificates of Deposit to the amount of £264,460, consisting of 2,703 Certificates of £20, and 2,104 Certificates of £100, each bearing the distinguishing number of the Bond in respect of which it was issued. 2,682 Certificates of £20 and 2,099 Certificates of £100 have been deposited for endorsement, and payment of the first instalment of 34 per

cent. under the Agreement with the Peruvian Committee, and have been re-issued duly endorsed, leaving still 21 Certificates of £20, and 5 Certificates of £100 in circulation which have not yet claimed such payment.

SANTO DOMINGO.

Six per Cent. Loan, 1869, outstanding ... £714,300

In arrear from January 1873 inclusive.

Santo Domingo Committee.

F. Bennoch, Esq.

Lieut.-Gen. J. L. Vaughan, C.B.,

Deputy-Chairman.

Right Hon. E. Pleydell Bouverie,

Ex-officio.

E. F. Coates, Esq.

Capt. W. Delf.

H. B. Hyde, Esq.

W. Johnson, Esq.

Robert Monckton, Esq.

J. G. Peckham, Esq.

Chas. Penruddocke, Esq.

A. W. Ray, Esq.

W. Richardson, Esq.

J. E. Wadsworth, Esq.

T. Wood, Esq.

Secretary.

Charles O'Leary, Esq.

The negotiations for a settlement of the Debt of this country, which were referred to in the last Report of the Council, were continued until May, 1886. On the 22nd of that month an agreement was signed between General Marchena, the Agent of the Government, and the Council and Committee acting on behalf of the Bondholders, a copy of which is appended to this Report. This Agreement was accepted by a General Meeting of the Bondholders on the 1st June, 1886, and was duly forwarded to Santo Domingo for ratification by the Congress. The

meeting of this body was delayed, it was said, in consequence of an insurrection which broke out at the end of July, but although the disturbances have been suppressed by the Government, the Council remain without any information as to whether it is intended to ratify the Agreement or not.

The following returns, which are the latest published, were presented to the Congress in March last :—

INTERNAL DEBT.

Amount in circulation on the 15th June,	
1885	\$2,139,549.66
Amount redeemed in 1885	779,847.25
Balance outstanding on the 1st January, 1886	<u>\$1,359,702.41</u>

There is also a debt arising out of International Conventions, which is known as the

INTERNATIONAL DEBT.

Amount in circulation on the 31st	
December, 1884	\$189,020.99
Amount created during 1885	49,522.55
	<hr/>
	238,543.54
Amount paid off	43,290.65
	<hr/>
Balance outstanding on the 1st January, 1886	<u>\$195,252.89</u>

The repayment of this Debt is made by setting aside an amount of 2 per cent of the Import Duties.

STATEMENT OF CUSTOMS RETURNS FOR THE SIX YEARS 1880-1885, AT THE SEVEN CUSTOM HOUSES OF THE REPUBLIC, VIZ. :-

SANTO DOMINGO; PUERTO PLATA; MONTECRISTI; SAMANA; MACORIS; AZUA; BARAHONA.

IMPORTS.	1880.	1881.	1882.	1883.	1844.	1885.
Amount of Duty paid ...	\$ 718,783.92	\$ 676,065.15	\$ 933,951.56	\$ 1,217,433.34	\$ 1,248,129.51	\$ 1,110,310.24
Total Value of Imports	\$ 1,748,912.94	\$ 1,636,080.39	\$ 2,039,043.64	\$ 3,142,102.42	\$ 2,468,053.24	\$ 2,104,369.12
EXPORTS.						
Amount of Duty paid ...	\$ 117,785.47	\$ 133,991.73	\$ 157,605.78	\$ 209,094.57	\$ 178,336.17	\$ 33,934.55
Total Value of Exports	\$ 1,283,014.20	\$ 1,457,640.36	\$ 1,945,758.25	\$ 2,129,239.16	\$ 2,596,903.32	\$ 2,494,008.31
RECAPITULATION.						
Import Duties ...	\$ 718,783.92	\$ 676,065.15	\$ 933,951.56	\$ 1,217,433.34	\$ 1,248,129.51	\$ 1,110,310.24
Export " ...	\$ 117,785.47	\$ 133,991.73	\$ 157,605.78	\$ 209,094.57	\$ 178,336.17	\$ 33,934.55
Totals ...	\$ 836,569.39	\$ 810,056.88	\$ 1,091,557.34	\$ 1,426,527.91	\$ 1,426,465.68	\$ 1,144,244.79
Value of Imports ...	\$ 1,748,912.94	\$ 1,636,080.39	\$ 2,039,043.64	\$ 3,142,102.42	\$ 2,468,053.24	\$ 2,104,369.12
" Exports ...	\$ 1,283,014.20	\$ 1,457,640.36	\$ 1,945,758.25	\$ 2,129,239.16	\$ 2,596,903.32	\$ 2,494,008.31
Totals ...	\$ 3,031,927.14	\$ 3,093,720.75	\$ 3,984,801.89	\$ 5,271,341.58	\$ 5,064,956.56	\$ 4,598,377.43

The United States Consul at Santo Domingo in his Report dated May, 1885, which was presented to the American Congress in May, 1886, says :—

“ The Finances of the country are in a deplorable condition, and I can see no means of bettering the situation without foreign aid—that is to say, the establishing of a well regulated Bank. A Bank here would not only do the business of the Government, but also that of the sugar-planters and the merchants in general.

“ The rate of interest paid by the Government to-day is ruinous, averaging about 5 per cent. per month ; regular commercial operations range from 1 to 3 per cent. per month. This is easily accounted for. The Government revenues are collected by a Syndicate to whom the Government is indebted. This Syndicate advances the Government certain sums for its actual expenses at the above-named rates of interest, crediting the surplus to their Debt and Interest Fund. This is an extraordinary process, and must in time bankrupt the country. The Government is trying through its Agent in New York to contract for a Loan, or a Bank, to take the place of this Syndicate, and to manage the Finances of the Republic, and to advance money at a reasonable rate—say 10 or 12 per cent. per annum.

DOMINICAN REPUBLIC.

AN AGREEMENT entered into between General EUGENIO GENEROSO MARCHENA, Fiscal Agent of the Government of the Dominican Republic in Europe, acting herein on behalf and in the name of the said Government, in virtue of the special powers granted to him under date the

14th day of January, 1886, of the first part, THE COUNCIL OF FOREIGN BONDHOLDERS, of London, acting herein in conjunction with the Committee of Holders of the Bonds hereinafter referred to, on behalf of such Bondholders, of the second part, and Dr. ANTONIO MARIA REGIDOR Y JURADO, of 21, Billiter Street, London, Advocate, of the third part.

WHEREAS, Dr. Antonio Maria Regidor y Jurado, in the year 1885, opened negotiations with General Marchena, the Agent of the said Government, with the view of prevailing upon the Government to grant to the Holders of the Bonds known on the London Stock Exchange as San Domingo Bonds of 1869, some compensation which, whilst tending to re-establish the credit of the Republic, would serve to repay the Bondholders at least a part of the value of their Bonds ;

AND WHEREAS such negotiations proceeded on the basis that the same should not prejudice or modify in any way all or any of the rights to which the Dominican Republic considered itself entitled, nor those upon which the Bondholders rested their claims, and bases or heads of arrangement, arrived at on this understanding, were submitted to a General Meeting of Bondholders convened by Dr. Jurado, and held in London on the 17th day of September, 1885, and were accepted in principle by such meeting, but the final settlement of the details and the mode of obtaining the payment of the said compensation were referred to the Council and Bondholders' Committee Party hereto ;

AND WHEREAS, in consequence of the foregoing, the Government of the Republic, by a document dated the

14th day of January, 1886, signed by His Excellency the President and the Ministers of Finance and of Foreign Affairs respectively, and bearing the seal of the said Republic, have authorised General Marchena to proceed with the said negotiation with the said Council and Committee, and after several protracted meetings and discussions it has been mutually agreed to enter into the following arrangement, which, without prejudicing the rights of either party may tend to put an end to the injury which both the Government and the Bondholders now suffer, the former by the damage to its credit, and the latter by receiving no payment on account of the said Bonds :

Now the parties hereto mutually agree as follows :

ARTICLE I.

(1.) The Government acknowledges to have received from Mr. E. H. Hartmont, by whom the said Bonds were issued, the sum of £38,095 in cash, for which and other considerations it delivered to him a receipt for £50,000, which sum of £50,000, with interest thereon at the compound rate of £12 per cent. per annum from the 1st day of May, 1869, to the 30th of April, 1886, inclusive, amounting in all to £343,302. os. 11d., shall be assigned by the State to the said Bondholders by means of an issue of new Bonds of and acknowledged by the State.

(2.) The said Bonds will be distributed *pro rata* amongst the holders of Bonds known on the London Stock Exchange as San Domingo Bonds of 1869 ; but if the new Bonds for £343,302. os. 11d. should not be sufficient to give to all Bondholders 50 per cent. of the old Bonds held by them and presented for conversion during the period

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limited for that purpose by Article 9, further new Bonds for an amount which, inclusive of the said £343,302. os. 11d., shall not in any case exceed £357,150, shall be issued by the State, so as to effect the conversion at that rate.

ARTICLE 2.

(1.) The New Bonds shall bear interest, and shall be secured and redeemed as hereinafter expressed. They shall be designated Bonds of "The External Debt of Santo Domingo, 1886," and shall be in such respective nominal amounts as shall be found convenient to carry out the operation of conversion.

(2.) The said Bonds shall be dated 1st May, 1886, shall be in a form to be approved by the Agent of the Government in London in accord with the Council, shall be signed on behalf of the State by an Agent appointed for that purpose by the Government, and shall have forty interest coupons attached payable in London half-yearly on the 1st of May and 1st of November in each year (the 1st coupon being payable 1st of November, 1886,) at the following rates:—

(a) The 1st to the 4th Coupons at the rate of 3 per cent. per annum.

(b) The 5th and 6th Coupons at the rate of 4 per cent. per annum.

(c) The 7th and 8th Coupons at the rate of 5 per cent. per annum.

(d) The 9th and all subsequent Coupons at the rate of 6 per cent. per annum.

(3.) New Coupon-Sheets shall be issued free of charge to the holders of the Bonds when the original Coupon-Sheets are exhausted.

ARTICLE 3.

(1.) The State reserves the right at all times to buy in the market or by public tender such amounts of the said new Bonds as may be deemed expedient from time to time for the purposes of redemption and cancellation.

(2.) The numbers of the redeemed Bonds shall be advertised in the *Gaceta Oficial* of Santo Domingo, and in one London newspaper. All Bonds redeemed by purchase shall be forthwith cancelled.

ARTICLE 4.

No tax or imposition of any kind shall at any time be levied or charged by the State either on the interest or redemption price of the said Bonds.

ARTICLE 5.

(1.) As special security for service of the said new Bonds as hereinbefore provided, and until their complete extinction, shall be assigned the part of the customs revenues of the State now pledged to the payment of the International Debt so soon as the latter debt shall be discharged.

(2.) The Treasury shall remit in due time to the Agents in London charged with the service of the new Bonds the sum required for the payment of the Coupons at their maturity. So soon as the assigned revenues shall be available for this purpose, the payment will be made out of those revenues.

ARTICLE 6.

The said Bonds and Coupons shall be received by all departments of the State as specie for their nominal value in the following cases:—

(1st.) In every transaction of sale or lease of property belonging to the State.

(2nd.) In payment of duties for working mines and forests.

(3rd.) For constituting securities, or guarantees, or deposits in favour, or on account, or by order of the State, under any Contracts or Concessions which shall not expressly provide for the same being made in specie, or in any other transaction with the State where securities shall be required by the Laws of the State, except only securities given to secure customs, rentals, and other taxes to the State Treasury, and those which are of a judicial character.

ARTICLE 7.

(1.) For the service of the Debt, the Dominican Government shall appoint a Bank of high standing in the City of London, which shall be removable in like manner.

(2.) All remittances to such Bank shall be made so that the proceeds thereof may be encashed in due time before the due dates of each Coupon.

All sums remitted to the Agents in London shall be held by them exclusively for the purposes of the said payments, and shall not be applicable to any other purpose whatever.

(3.) The expenses and charges of the Agents as well as those of remittance and exchange, will be provided by the State, so that the payments to the Bondholders may be made in full without deduction.

ARTICLE 8.

(1.) The said new Bonds shall be issued in the name of the State in exchange for the Bonds issued in 1869 by

E. H. Hartmont, at the rate of £50 in new Bonds for each £100 nominal principal of the said Bonds of 1869, but under the deduction of 10 per cent. of such new Bonds, to be handed to Dr. Jurado as soon as the Bonds are issued, and applied by him in manner authorized by a General Meeting of Bondholders held in London on the 17th of September, 1885, that is to say—

Ten per cent. of the amount of the new Bonds which shall be issued will be applied to the expenses and charges of the new issue, including the value of stamps, advertisements, commissions, gratuities, and fees which may be paid or owed in connection with the New Debt, and other operations which may be deemed necessary and convenient.

This ten per cent. shall be left in favour of the aforesaid Dr. Antonio Maria Regidor y Jurado, who binds himself to pay all the expenses, commissions, and fees mentioned in the above paragraph, provided they have been caused with his knowledge and approval, the rest of the said amount to be the remuneration for his work to obtain a solution and definite arrangement of the matter.

(2.) All the said old Bonds shall have their unpaid Coupons attached, and otherwise shall suffer a proportionate reduction, to be fixed in accord between the Agents of the Government and the Party entrusted with the operation of the Conversion.

(3.) All the Bonds and Coupons so withdrawn shall be cancelled and delivered to the State.

ARTICLE 9.

(1.) The operation of the Conversion shall be entrusted by the Government to a Special Agent of the Government,

to the Council of Foreign Bondholders, or to a Bank of recognised standing in London. The said Bonds, duly signed on behalf of the State, will be handed to the converting house on the commencement of the operation.

(2.) The operation shall remain open for a period of twelve months from its commencement, and old Bonds not presented for conversion until after expiration of the first six months thereof shall forfeit the first Coupon on the new Bonds which shall already have matured, and the amount of the Coupon so forfeited shall be applied to a special redemption of new Bonds in manner prescribed by Article 3.

(3.) Any new Bonds in hand at the close of the Conversion, and not required for conversion of old Bonds previously presented, shall be cancelled and delivered by the Agent to the Government.

(4.) Once the amount of the new Bonds issued shall be definitely determined on the close of the operation of the Conversion, the National Treasury shall always remit the full interest on that amount, and any surplus arising by reason of previous redemption of Bonds and not required for payment of Coupons on the Bonds outstanding from time to time, shall form an accumulating fund, which shall be applied by the Agents in London to the redemption of new Bonds in manner prescribed by Article 3.

ARTICLE 10.

In respect of fractions arising in course of Conversion, Certificates shall be issued on condition of their exchange in requisite amounts for complete Bonds on or before a date to be named in such Certificates, after which date any

balance of new Bonds then in hand against still outstanding fractional Certificates shall be sold, and any balance of cash not claimed before a further date to be named shall be applied to redemption as prescribed by Article 3.

ARTICLE 11.

The Conversion shall be carried out in accordance with regulations and formalities to be determined by the Government in accord with the Council of Foreign Bondholders as representing the Bondholders for the due security of all parties concerned.

ARTICLE 12.

The Agent of the State in London appointed to sign the new Bonds, shall also represent the State in London for all purposes of the carrying out of the said operation.

ARTICLE 13.

The Conversion being concluded by the surrender of the said Bonds of 1869, the Bondholders will thereby absolutely release and discharge the State from all claims on the State by reason or on account of the said old Bonds or otherwise connected with their issue, but they will nevertheless reserve all their rights and claims as against the said Hartmont or other persons concerned in the issue of the said old Bonds on account or by reason of such issue or otherwise, and the State hereby disclaims in favour of such Bondholders all moneys received by the said Hartmont or other parties by means of such issue.

ARTICLE 14.

This arrangement is entered into on behalf of the Bondholders, of the Council, and Bondholders' Committee, under the authority given by resolution of a General Meeting of Bondholders held in London on the 17th of September, 1885, as regards the State, is subject to ratification as early as possible, in such manner as to give the same full validity in accordance with the Laws of the Dominican Republic.

LONDON, the 22nd day of May, 1886.

For the Government of the Dominican Republic ad referendum,

(Signed) EUGENIO GENEROSO MARCHENA.

For the Council of Foreign Bondholders,

(Signed) E. P. BOUVERIE, *Chairman.*

For the Committee of Bondholders of Santo Domingo acting in conjunction with the Council,

(Signed) FRANCIS BENNOCH, *Chairman.*

DR. ANTONIO M. REGIDOR Y JURADO.

SPAIN.

Two per Cent. Coupon Bonds, 1877, out- standing	£2,725,015
Three per Cent. Consolidated Debt, outstanding	450,000
Four per Cent. External Bonds, 1882 ...	77,696,865
Four per Cent. Internal Bonds, about ...	77,750,000
Four per Cent. Internal Redeemable Debt of 1881, outstanding	68,106,151
Floating Debt	5,128,968

General Committee of Holders of the External Debt.

Thus marked * are Members of the Executive Committee.

*F. Bennoch, Esq., *Chairman*.

*The Right Hon. E. Pleydell
Bouverie, *Ex-Officio*.

Augustus B. Abraham, Esq.

General Sir George Balfour,
K.C.B., M.P.

*W. H. Bishop, Esq.

*Lionel N. Bonar, Esq.
The Right Hon. the Earl of
Carnwath.

Andrew Cassels, Esq.

*M. Castello, Esq.

J. W. Chater, Esq.

*David Clarke, Esq.

John Collinson, Esq.

Chas. John Croke, Esq.

R. Dixon, Esq.

W. Duncan, Esq.

*Roger Eykyn, Esq.

Henry I. Fotherby, Esq., M.D.

Captain T. Fuller.

Rev. W. B. Harrison.

*Geo. Herring, Esq.

Rev. W. Hodgson.

Arthur Kimber, Esq.

C. E. Lewis, Esq., M.P.

Chas. Magniac, Esq., M.P.

W. H. Mogg, Esq.

G. W. Obicini, Esq.

D. Robinson, Esq.

Christopher Rowlands, Esq.

Thos. Rumball, Esq., M.I.C.E.

*H. Solomon, Esq.

G. N. Strawbridge, Esq.

*C. Surgey, Esq.

W. Trotter, Esq.

John Wade, Esq.

*Lieut.-Gen. J. L. Vaughan, C.B.

Lieut.-Col. Vickers.

*H. A. Withers, Esq.

Edwd. Wright, Esq.

Commissary-General R. M.
Gardiner.

James Gardner, Esq.

John Goddard, Esq.
 Wm. Grain, Esq.
 G. de G. Griffiths, Esq., M.D.
 W. Griffith, Esq.

Admiral of the Fleet, Sir Provo
 Wallis, G.C.B.
 J. Eveleigh Wyndham, Esq.
Secretary of the Committee.
 Charles O'Leary, Esq.

The year 1886 has witnessed a considerable improvement in Spanish Credit, the price of 4 per Cent. Stock having been $65\frac{3}{4}$ per cent. on the 1st January, 1887, as against $54\frac{1}{4}$ per cent. on the same date in 1886. This improvement has taken place in spite of the increase in the Floating Debt, which from 40,756,568 pesetas in January, 1886, has risen to a total of 129,250,000 pesetas. Offices for the payment of Spanish Coupons have been opened both at Paris and Berlin, and an official quotation granted by the Stock Exchange of the latter city. It is believed that Señor Puigcerver, the new Finance Minister, proposes to follow the main lines of policy of his predecessor, Señor Camacho, in order to clear off the large accumulation of Floating Debt. A measure which it is hoped will greatly improve the Revenue is the proposed lease for twelve years of a monopoly of Tobacco in Spain and the Balearic Isles.

In the preamble to the Bill for that object Señor Puigcerver makes a statement of his financial policy. He has come to the conclusion that, in spite of the continued improvement in the Revenue, an equilibrium cannot, for several years, be obtained from the ordinary sources of income. He hopes, indeed, in a few years, by prudent economy and a careful administration of the national receipts to establish an equality between the revenue and expenditure ; but this cannot be done in one Budget, nor could the country, already overburdened with taxation,

bear sufficient new taxes to cover the actual deficit. This deficit in last year's Budget was estimated at 24,632,509 pesetas, but since sundry items figured in it as revenue which were either taken from extraordinary resources or had ceased to be productive, the true deficit in that year amounted to 62,832,509 pesetas. In this year there is a nominal surplus of 26,010,692 pesetas, but as the estimates are increased by the addition of more than 80 million pesetas from extraordinary resources, such as the redemption of annuities (15,000,000 pesetas), the last instalments of the Morocco Indemnity (700,000 pesetas), the produce of the Tobacco Monopoly in the Philippine Islands (6,500,000 pesetas), and other funds which are not now at his disposal, he contends that the real deficit will not fall short of 60 million pesetas.

In these circumstances he turns to the proposed lease for a term of twelve years of the Tobacco Monopoly for Spain and the Balearic Isles, in the hope that the amount to be paid by the Contractor for the existing stocks of Tobacco, the value of which he estimated at not less than 40 million pesetas, will be available for the reduction of next year's deficit, and that the monopoly itself will be made to yield a better revenue than is obtained from it at present.

The annual rent to be derived from the Concession is not to be fixed at the outset for the whole term, in order that the Government may not lose the benefit of the expected annual improvement in the receipts. The twelve years are to be divided into four triennial periods, for the first of which the annual rent is fixed at 90,000,000 pesetas, the Treasury also participating to the extent of at least 50 per cent. in any profits after payment of expenses and

5 per cent. interest on the capital employed. The amount of the annual rent for the second period is to be based on the mean annual profits for the second and third year, while that for the third and fourth periods is to be fixed at the amount of the mean annual profits of the triennial period immediately preceding them, the Treasury participating as before in the surplus profits. The 90 millions thus fixed as the annual rent for the first three years is based on the mean annual yield of the monopoly for the past five years with an addition of about 10 per cent. The contract will be offered for public tender, and will be allotted to the person who shall offer the Government the largest participation in the surplus profits. No tender will be received without the deposit of five million pesetas caution money, and foreigners are excluded from the competition.

The Contractor is to erect during his Concession three new factories and warehouses, the cost of which will be refunded to him by the Government on the expiration of his contract.

The Contractor is to deposit as security a sum of 20 million pesetas in cash or bonds, which the Government may reduce, if it should think fit, to not less than 12 millions.

Provision is also made for rescinding the contract in certain cases, and the terms upon which the Government are to take over the buildings, plant, and stock at its expiration are duly stated.

It is said that the scheme is favourably regarded by Spanish capitalists and bankers.

The following are the Estimates of Revenue and Expenditure for the current fiscal year 1886-7 :—

BUDGET ESTIMATES FOR 1886-7.
EXPENDITURE.

General Expenditure:—

	Pesetas.	Pesetas.
Royal Household	9,350,000	
Legislative Houses	1,998,285	
Public Debt	274,399,325	
Justice	2,137,307	
Pensions, &c.	48,712,031	
		336,596,948

Ministerial Departments:—

Presidency of the Council	1,101,709	
Ministry of State	5,396,658	
„ Grace and Justice	55,114,107	
„ War	157,834,558	
„ Marine	42,500,560	
„ Government	31,085,502	
„ Public Works	77,539,746	
„ Public Instruction	47,512,219	
„ Finance	21,669,000	
„ Collection of Revenues	147,095,862	
„ Colony of Fernando Po	560,166	
		587,410,087
Total Expenditure, Pesetas		<u>924,007,035</u>

REVENUE.

Contributions:—

	Pesetas.	Pesetas.
Land Tax, Cultivation, and Live Stock Tax	180,000,000	
Elementary and Secondary Education ...	27,232,000	
Industrial and Commercial Taxes	40,000,000	
Royal Dues and Transfer Duties	28,913,000	
Mining Tax (on Area, with 1 % on Gross Returns)	2,072,000	
Tax on Titles of Nobility, &c., and Decorations... ..	529,000	
Wine Taxes at the Free Ports of the Canaries	371,000	
Cash Received at the Consulates, &c. ...	1,983,000	
Official Publications, Grace and Justice, and Public Works	12,000	
Receipts Ministry of War	173,000	
Ditto Public Works (Forests, Highways, School of Agriculture, &c.	50,000	
Penal Establishments, &c.	1,212,000	
Sundries	1,177,000	
Carried forward		283,724,000

<i>Contributions</i> (brought forward)	Pesetas.	Pesetas.
		283,724,000
<i>Taxes:—</i>		
Personal Certificates	7,426,000	
Tax on State Salaries, &c.	14,467,000	
Deduction on Salaries of the Clergy and Nuns	2,893,000	
Tax on Salaries of Provincial and Municipal		
Employés	1,713,000	
Tax on Court Fees	114,000	
„ Registrar's Fees	246,000	
„ Passenger and Goods Traffic	11,001,000	
„ Home-Produced Sugar	525,000	
„ Provisions	93,000,000	
Sundries	344,000	
	<hr/>	131,729,000
<i>Customs:—</i>		
Import and Export Duties, &c.		131,340,000
<i>Monopolies:—</i>		
Stamps, &c., Guns, Hunting, and Fishing		
Licenses	46,482,000	
Tobacco	136,000,000	
Salt	1,068,000	
Lotteries	76,600,000	
Sundries	219,000	
	<hr/>	260,369,000
<i>State Property:—</i>		
Rent and Mines	3,964,000	
Duties	3,199,000	
Sundries	39,000	
Sales of Unredeemed Property	26,012,725	
	<hr/>	38,848,725
<i>Treasury:—</i>		
Sundries	18,970,000	
War and Marine	16,800,000	
Extraordinary Revenue	58,750,000	
	<hr/>	94,520,000
Total Revenue, Pesetas		<u>940,530,725</u>

RECAPITULATION.

	Pesetas.		
Expenditure ...	924,007,035	or say ...	£36,666,946
Revenue ...	940,530,725	„ ...	37,322,648
	<hr/>		<hr/>
Surplus	16,523,690		£655,702
	<hr/>		<hr/>

N.B.—The exchange is calculated at the rate of pesetas 25.20 = £1, officially fixed for the payment of employés of the Government in England.

To meet any extraordinary and unforeseen expenses, not covered by the above surplus, the Budget Law authorised, as usual, the issue of Floating Debt to the amount of one-fourth of the estimated expenditure.

The following table shows the amounts required for the service of the Public Debt:—

CONSOLIDATED DEBT :—

	Pescetas.	Pescetas.
Interest Perpetual 4 % Debt, External ...	78,846,040	
„ Internal	77,842,280	
„ Non-transferable Stock in favour of Civil Corporation	<u>14,269,166</u>	170,957,486
Redemption of Fractions of Consolidated Debt		50,000

REDEEMABLE DEBT :—

Interest and Sinking Fund of the 4 % Debt	86,909,300	
Commission of $1\frac{1}{2}$ % payable to Bank of Spain for above service	1,086,366	
Interest of 2 % Redeemable External Debt	1,238,100	
Sinking Fund	5,381,500	
Interest on Shares of Public Works ...	28,325	
Sinking Fund	94,146	
Interest Highway Shares	18,188	
Sinking Fund	152,018	
Redemption of Personal Debt	<u>250,000</u>	95,157,943

TREASURY DEBT :—

Interest and Sinking Fund Rothschild Quicksilver Loan	3,750,000	
Interest National Land Loan	1,287,500	
Floating Debt	3,000,000	
Sundries	<u>196,396</u>	8,233,896
		<u><u>274,399,325</u></u>

TURKEY.

Joint Commission for the Ottoman Loans of 1858
and 1862 under the Convention of February,
1873.

The Right Hon. E. Pleydell
Bouverie, *Chairman*.
Francis Bennoch, Esq.
Roger Eykyn, Esq.

Thomas Rumball, Esq., M.I.C.E.
H. A. Withers, Esq.
Secretary.
Hyde Clarke, Esq.

The following table gives the latest Returns of the present position of the Turkish Consolidated Debt (excluding Lottery Bonds), from which it will be seen :—

1st. That, in consequence of Conversions, the total amount of "Registered" Bonds in circulation is now only about £3,986,572 (as against £15,743,503 originally registered).

2nd. That the "Converted" Bonds in circulation represent about £85,144,386.

3rd. That Group I. and Series "A" Bonds amortized amount to £1,791,953; and

4th. That outstanding old Bonds and missing Coupons, not yet converted, represent £1,302,916, or about $1\frac{2}{3}$ per cent.

THE OTTOMAN PUBLIC DEBT UNDER THE IRADE OF 8/20 DECEMBER, 1881.

STATE OF AFFAIRS ON THE 31ST DECEMBER, 1886.

Loans.	Nominal Reduced Capital.	Gross Amount of Registered Bonds.	Bonds Converted.			Bonds of Group I, and Series A Amortized.	Balance of Registered Bonds in Circulation.	Old Bonds not Presented, and Stamped Bonds not Converted.	Missing Coupons on Registered Bonds.
			Previously Registered.	Previously Stamped, Unstamped, and Ramazans.	Total Converted Bonds.				
1858	£ 3,445,316	£ 2,367,041	£ 1,303,703	£ 1,032,620	£ 2,336,320	£ 580,200 (d) 10,700 (e) 3,253	£ 482,996	£ 31,782	£ 64
1860	1,044,201	(a) 63,330	61,780	945,377	1,007,157	—	1,527	51,349	22
1862	3,738,556	2,418,011	1,089,000	1,269,319	2,358,319	615,800	713,088	51,227	123
1863	3,973,682	(b) 175,187	163,560	3,617,199	3,780,759	—	11,555	187,231	72
1865	2,920,713	366,147	231,660	2,496,199	2,727,859	—	134,215	58,367	272
1869	12,885,600	3,062,505	2,398,180	9,606,293	12,004,473	—	603,456	216,803	869
1872	5,223,165	(c) 3,032,276	2,121,921	2,129,531	4,251,452	—	910,328	39,568	28
1873	15,026,198	340,262	215,660	14,511,125	14,726,785	—	124,565	174,810	38
Gen. Debt	43,968,396	3,918,744	2,971,510	39,561,752	42,533,262	—	944,842	487,899	2,392
£	92,225,827	15,743,503	10,556,971	75,169,415	(g) 85,726,386	1,209,953	3,986,572	1,299,036	3,880
(a) Increase £15,854 transfers in connection with the Ex- (b) Do. 5,935 change of 1872 (c) Diminution £21,789 Ramazans. (d) "Registered" Bonds of 1858. (e) "Stamped" Bonds of 1858.									
Add Amortized Series A Converted Bonds						582,000	(f) "Ramazans of Principal" Bonds of 1858, arising from a payment of 2½% on £127,000 equal to £3,492 10s., convertible at 93.15 % for £3,253.		
Total Amortization ...						£1,791,953	(g) Less £582,000 Amortized, gives the amount in circulation.		

STATEMENT SHOWING THE ACTION OF THE SINKING-FUND UP TO 31ST DECEMBER, 1886, IN THE REDEMPTION OF GROUP I. AND SERIES "A" BONDS.

					Reduced Capital Value in Sterling.			
1858 LOAN.					£	s. d.	£	s. d.
1st Financial Period.—Amount redeemed	...				195,078	10 0		
2nd " " " "	...				165,821	10 0		
3rd " " " "	...				230,000	0 0		
							590,900	0 0
1862 LOAN.								
1st Financial Period	...	"	"		215,000	0 0		
2nd " " " "	...	"	"		185,000	0 0		
3rd " " " "	...	"	"		215,000	0 0		
							615,800	0 0
SERIES "A."								
3rd Financial Period	...	"	"		270,000	0 0		
4th " " " "	...	"	"		212,000	0 0		
5th " " " "	...	"	"		100,000	0 0		
							582,000	0 0
							£1,788,700	0 0

N.B.—The comparatively small amount redeemed during the fifth financial period is due to the suspension of payment by Eastern Roumelia, and the advances to the Régie on account of losses on the Reftieh, the two amounting to a total decrease in the the Public Debt revenues of £285,000. It is a subject for congratulation that in spite of such contrary conditions the action of the Sinking-fund is still continued.

REVENUE RECEIPTS.

The following Comparative Statement shows the monthly receipts actually encashed at the Central Office in Constantinople, net of provincial expenses of collection, during the first ten months of the two financial years 1885-6 and 1886-7 :—

	Receipts. 1885-6.	Receipts. 1886-7.
	Pounds Turkish.	Pounds Turkish.
March	270,566	166,729†
April	81,578	66,751
May	85,935	71,736
June	299,835	389,596
July	110,073	106,743
August	200,801	181,853
September	288,014	270,360
October	73,433*	78,624
November	70,932	73,068
December	259,342	261,666
	£T.1,740,509	£T.1,667,126

COMPARATIVE STATEMENT OF MONTHLY RECEIPTS
OF THE TOBACCO REGIE DURING THE FIRST TEN
MONTHS OF THE FINANCIAL YEARS 1885-6, 1886-7.

	1885-6.	1886-7.
	Piastres.	Piastres.
March	11,913,655	11,288,074
April	12,549,747	12,350,337
May	13,920,288	13,411,618
June	11,619,835	11,879,317
July	13,504,580	14,461,365
August	13,954,177	13,702,369
September	12,101,548	12,949,234
October	11,985,403	12,517,200
November	12,055,723	11,183,400
December	10,265,981	11,183,400
	Ps.123,870,937	Ps.124,926,314

* From the month of October onwards Eastern Roumelia stopped all payments. This explains the marked decrease shown for every month of the year 1886-87. As a matter of fact the revenues administered directly by the Council in Constantinople show an increase, as explained in the body of the Report, of £T.60,000 in round numbers.

† The Tobacco Régie held back £T.100,000 of the quarterly instalment due at the commencement of this month, but paid up the sum thus reserved in June. Subsequently a similar amount was advanced to the Régie by the Public Debt on account of the losses suffered on the Reftieh tax on tobacco exported to Egypt.

TURKISH LOTTERY BONDS.

Up to the 31st December, 1886, there have been one hundred and one drawings of these Bonds, thirty of these drawings having taken place since the Council of Administration of the Ottoman Public Debt entered upon its functions. During the latter time 14,300 bonds have been drawn, giving a total nominal capital amortized of Frs. 23,120,000, which, at the rate of 58 per cent. fixed by the Decree the 8-20 December, 1881, entailed an expenditure of Frs. 13,409,600 cash.

The Council of Administration has likewise paid 15 per cent. out of the 20 per cent. accruing by the Decree to the bonds drawn during the period when the Public Debt was suspended.

URUGUAY.

Five per Cent. Unified Debt, 1883, £11,127,000, for Conversion of the External and Internal Debt, estimated together to amount to £12,579,740.

Committee of Uruguay Bondholders.

The Right Hon. E. P. Bouverie,
Chairman.

A. W. Ray, Esq., *Deputy-Chairman.*

Coleridge J. Kennard, Esq.

L. R. Lack, Esq.

Cyrus Legg, Esq.

R. Monckton, Esq.

W. Richardson, Esq.

C. H. Stewart, Esq.

Secretary.

Charles O'Leary, Esq.

The Government have, during 1886, continued to pay with regularity the Coupons on this Debt, and have further

reduced the principal of it by means of the Quarterly Drawings at par by a sum of £62,500. The total amount now redeemed is £178,800, made up as follows :—

Drawn in 1884 ...	...	...	...	£56,700
„ 1885 ...	...	...	...	59,600
„ 1886 ...	...	...	...	62,500
Total ...				<u>£178,800</u>

In addition to this, a sum of £16,200 was drawn for the first quarter of the present year, and is advertised for payment on the 1st of April.

Since the Council's last Report was issued, the peace of this Republic has again been disturbed by revolutionary attempts which fortunately were speedily suppressed without causing any serious injury to the trade and commerce of the country.

The election of a new President took place in March, 1886, when Dr. Vidal succeeded General Santos; but he resigned in May on account of ill-health, and was succeeded by General Santos, who, in his turn, resigned in November.

The General Assembly thereupon elected General Maximo Tajes, the Minister of War, to the Presidency.

By the Constitution, the President holds office for four years, and re-election is not allowed until after the expiration of a further period of four years. It is evident, however, that this provision is not always strictly adhered to. The Government of each Province is administered by a Prefect appointed by the Executive.

The population of Uruguay is about 700,000, and it is estimated that 150,000 are foreigners. About one-fourth

of the total population is concentrated in the vicinity of Monte Video.

The Revenue of the country is derived principally from Customs Duties ; but no recent Official Returns of Income and Expenditure have been received since the date of the last report.

According to the latest available information, the Imports and Exports of the Republic for the years 1884 and 1885, are as follows :—

	IMPORTS.				EXPORTS.	
1884	\$24,550,074	\$24,759,485	
1885	25,275,476	25,253,036	

For the same period the Trade of Uruguay with other countries was distributed as follows :—

	1884.	1885.
Great Britain	\$12,014,000	\$12,267,000
France	8,196,000	7,680,000
Brazil	6,322,000	5,508,000
United States	3,358,000	6,415,000
Other Countries.	19,419,000	18,658,000
Total .	\$49,309,000	\$50,528,000

From this table it will be observed that whilst trade with Great Britain has increased, and, in the case of the United States, has almost doubled, with all other countries there is a decided falling-off. The Returns for 1886 are not yet available.

VENEZUELA.

External Issue outstanding £2,679,550

Venezuelan Committee.

Admiral of the Fleet, Sir Provo Wallis, G.C.B., <i>Chairman.</i>	Lieut.-General J. L. Vaughan, C.B.
Right Hon. E. Pleydell Bouverie, <i>Ex-officio.</i>	E. Wright, Esq.
J. W. Chater, Esq.	<i>Secretary.</i>
F. Obicini, Esq.	Charles O'Leary, Esq.

Trustees for the Deposit of Old Securities at the Bank of England.

Lionel N. Bonar, Esq. | J. W. Chater, Esq.

It affords the Council great satisfaction to be again able to report that the service of this Debt has been met with the same regularity as in former years since the Conversion of the Debt took place in 1881.

The Council regret that they have been unable to obtain any detailed information as to the trade and commerce of the Republic.

The following is the Budget for 1886-7, as sanctioned by Congress. The amounts are given in Bolivares, about 25 of which are equal to £1 sterling.

VENEZUELAN BUDGET FOR 1886-7.

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NATIONAL REVENUE.		DISTRIBUTION OF THE NATIONAL REVENUE.	
<i>Customs.</i>	Bolivares.	<i>For the Federal Public Service.</i>	Bolivares.
Import Dues ...	19,200,000.00	60 % of the Customs Receipts	11,655,000.00
Interest ..	125,000.00	Public Instruction, Stamped	
Fines ..	75,000.00	Paper, Public Territories,	
Warehouse Dues ...	25,000.00	Telegraphs and Consulates	2,510,000.00
	<u>19,425,000</u>		<u>14,165,000</u>
<i>Internal.</i>		<i>Internal Debt.</i>	
Stamped Paper...	130,000.00	27 % of 40 % of the Customs	
Salt Duty (one-third part of)...	233,333.33	Receipts ...	2,097,900.00
Transit Duty (one-third part of)	1,666,666.67	<i>External Debt.</i>	
Public Instruction Tax ...	1,500,000.00	27 % of 40 % of the Customs	
Federal Territories ...	500,000.00	Receipts ...	2,097,900.00
Consular Fees ...	200,000.00		<u>4,195,800</u>
Telegraphs ...	180,000.00	<i>Foreign Relations.</i>	
	<u>4,410,000</u>	13 % of 40 % of the Customs	
		Receipts ...	1,010,100.00
			<u>1,010,100</u>
<i>Revenues payable by the Federal States.</i>		<i>Public Works.</i>	
Two-thirds of the Transit Duty	3,333,333.33	33 % of 40 % of the Customs	
Do. do. Salt Tax ...	466,666.67	Receipts ...	2,564,100.00
	<u>3,800,000</u>	One-third of Salt Duty ...	233,333.33
		Do. Transit Duty ...	1,666,666.67
			<u>4,464,100</u>
		<i>Revenue payable to the Federal States.</i>	
		Two-thirds of Salt Duty ...	466,666.67
		Do. Transit Duty ...	3,333,333.33
			<u>3,800,000</u>
			<u>Bol. 27,635,000</u>

The subjoined information has been courteously supplied to the Council by the Venezuelan Consul in London :—

The Venezuelan Government continues to make substantial progress by her Public Works Department, and the country is being extensively opened up by railways, which will materially facilitate its immense productive resources.

When the President, General Guzman Blanco, organised the measures which resulted in the completion of the railway from La Guaira to Carácas, he not only helped to accomplish a great engineering work, but one also which will give the staple products of Venezuela access to the markets of the world.

The return paid to the Shareholders of that railway during its first year of working, viz., 7 per cent., has proved a great incentive to European Capitalists to embark in similar enterprises in the country.

The same combination of Capitalists are actively prosecuting the construction of an important Railway between Puerto Cabello and Valencia ; two-thirds of the work are already completed, and the line will be finished about the end of the year 1887.

The Capitalists and the Government are conjointly making the line without, up to the present, seeking the aid of the public in any shape.

There are at present 1,400 men employed on this work, and all the materials have been sent out for its completion.

Another instance of the enlightened policy of the present Government is to be found in the support which it has given to a public work of great utility, viz., the New Harbour which is being made at La Guaira, the shipping

port of Carácas; the capital of the Republic. This Harbour, when completed, will form one of the finest works of its kind on the eastern coast of South America, and, being on the highway from Europe to Colon, its importance is considerably augmented in view of the prospective completion of the Panama Canal. The Government Subscription for Shares at par extend to 20 per cent. of the capital of the undertaking, which amounts to £600,000. The foundation for the new Quays is already well advanced, and the Breakwater commenced. This is to be taken into deep water, and when completed will afford shelter for steamers of the heaviest draught.

A third undertaking in hand is a projected Railway from Carácas *viâ* Petare and the valleys of the Zuy to connect eventually with the Lake of Valencia, and thus connect *viâ* the Puerto Cabello and Valencia Railway with the La Guaira and Carácas Railway.

A fourth undertaking of great importance to the country is the railway, on which a survey is now being actively prosecuted for extending the line of the Quebrada Company to Barquisimeto, a large and ancient city, and the capital of the federal State in which it is situated.

The Concession contemplates the extension of the line eventually to Trugillo, and the parties supporting it are sufficiently influential to ensure its being carried through successfully.

This will render the Quebrada Company's line of much greater utility as a public railway than heretofore, as the projected extension to Barquisimeto and Trugillo passes over one of the oldest and most densely populated districts.

The year 1887 may also see considerable progress made

in the railway from the Orinoco to the Gold Mines of Venezuelan Guayana, comprising the well-known mining districts of Callao.

A Company has been registered in England to carry out this work, and the Venezuelan Government being anxious to open up this important district and encourage the Gold Mining industry, has given a guarantee of 7 per cent. on the capital to be employed in constructing the line. A shipment of rails has already been sent out to comply with the preliminary conditions of the Concession.

VIRGINIA.

Five per Cent. Sterling Bonds, taken at two-thirds	£125,818
Six per Cent. Dollar Bonds, Series A, 1871 ...	2,846,382
Six per Cent. Unfunded Dollar Bonds, taken at two-thirds	351,885
Six per Cent. Dollar Bonds, "Peelers," 1872 ...	179,537
"Ten-Forty" Dollar Bonds, 1879	1,480,660
West Virginia's one-third	3,074,874

Virginian Committee.

The Right Hon. E. P. Bouverie,	Samuel Montagu, Esq., M.P.
<i>Chairman.</i>	D. Oppenheimer, Esq.
H. R. Beeton, Esq.	Geo. T. Rait, Esq.
Walter Chinnery, Esq.	Captain W. W. Ross.
David Clark, Esq.	C. Satterthwaite, Esq.
Joseph Hankey Dobree, Esq.	W. Trotter, Esq.
R. H. Glyn, Esq.	
E. Humphreys, Esq.	<i>Secretary.</i>
Henry Joachim, Esq.	Charles O'Leary, Esq.
Silvester L'Amy, Esq.	

Notwithstanding the decisions of the United States Supreme Court, referred to in the last Report, decreeing the unconstitutionality of the repudiating statutes passed by the Virginia Legislature for the purpose of defeating the Coupon Contract, the Government of Virginia, contrary to the hopes and expectations of the Committee, has continued to persist in its efforts for the enforcement of the Riddleberger settlement. The Committee, however, have persevered in their policy of patiently following up the advantages they have gained in the Federal Courts, and they hope and believe that this course will ultimately result in securing to the Bondholders the recognition of their rights.

Before adjourning last Spring, the Legislature passed two Acts intended to nullify the remedy provided by the Act known as "Coupon Killer No. 1"; one requiring the production of the Bond with the Coupon, and the other forbidding the use of expert testimony on proving the genuineness of Coupons submitted for verification. The effect of these laws, by regulating the jurisdiction of the State Courts, has been, so far, to render it impossible to compel the receipt of Coupons by the State, and to oblige taxpayers intending to avail themselves of the use of Coupons to stand on a simple tender. The validity of these enactments, however, rests only on the authority of the State Court of Appeals, and steps have already been taken to reverse its decision in the United States Supreme Court.

The first practical result of the decision of the United States Supreme Court, affirming that the tender of the Coupon paid the tax, was gained in the suit of "Ford *v.* Taylor" (Treasurer of Henrico County), in the United

States Circuit Court, before Judge Bond, on the 8th April. The plaintiff sued the defendant for damages for trespass in levying after a tender of Coupons. The amount of tax involved was \$40, and the jury awarded damages to the amount of \$250, adding \$60 costs. Thus on this occasion it cost the State \$310, besides its own expenses, to collect \$40 of taxes, and the Coupons which had discharged the tax remained the property of the taxpayer. This issue was followed up later in the year by a number of other similar trespass suits, resulting in every instance in a verdict for damages and costs, thus mulcting the State in considerable expense, besides obliging it to forego the cancellation of the Coupons tendered. As a consequence of these verdicts, the Attorney-General of the State advised the cessation of levies, and taxpayers availing themselves of their right to tender Coupons have since remained unmolested.

The failure on the part of Mr. Royall to obtain exemplary damages against the Indemnity Board (which was constituted for the purpose of reimbursing treasurers against whom damages might be awarded in consequence of a levy after a tender of Coupons) at the hands of a Richmond jury, in the present state of the public mind, has induced him to take steps to restrain them from exercising their functions, and a motion for an injunction to accomplish this end is pending in the United States Circuit Court, at the date of writing this Report. Mr. Royall has also moved Judge Bond to grant a mandamus to compel the Auditor to receive Coupons from a treasurer which had been previously tendered to him by taxpayers. The Committee attach importance to both the points involved, and they look with confidence to a satisfactory result.

Towards the end of May Mr. James P. Cooper, an English holder of Virginian Bonds, visited Virginia, with the view of satisfying himself as to the existing state of public feeling and general condition of affairs relative to the Debt question. Making Richmond his headquarters, he visited all the principal towns in the State, and discussed the objects of his visit with many of the prominent officials and citizens. On his return to England he gave the Committee, in a written Report, the benefit of his impressions on the relation of political parties in the State and the general aspect of the Debt question, and his opinion as to the causes deterring taxpayers from the use of Coupons, as well as to the best means of counteracting them.

Mr. Cooper found that the alleged efforts to intimidate taxpayers who elect to use Coupons, by "*boycotting*" them, are entirely repugnant to public sentiment throughout Virginia, and have no real significance.

With regard to the feeling caused by appeals to *patriotism* and *self-interest*, Mr. Cooper says:—

"From many indications I judged that, with the majority, the patriotic feeling would be very quickly dissipated if the taxpayers could see their way to pay their taxes in coupons, at a discount, with impunity. . . . I am quite convinced that the patriotic sentiment will only exist so long as there is difficulty in the way of using coupons."

Mr. Cooper gives the following explanation of the ignorance of taxpayers as to their legal rights:—

"The litigation has been so protracted and complicated, the Press has so persistently suppressed and misrepresented the issues, and such false statements have been

“disseminated by the politicians and office-seekers in the political campaigns, that the taxpayers are wofully ignorant of the true state of affairs, especially in the more rural districts. The letters from taxpayers in all parts of the State are sufficient proof of these assertions.”

Mr. Cooper's recommendations as to the best means of counteracting these obstacles were carefully considered by the Committee in all their bearings, and they have since taken such action as recommended itself to their judgment in the Bondholders' interests.

With the view of ascertaining the feeling of the Bondholders, and obtaining their sanction to certain steps which it was deemed desirable to take for the better enforcement of their rights, a meeting of Bondholders of all classes was summoned, for the 24th September, at the Cannon Street Hotel, “to consider the position of affairs, and to pass such resolutions as the meeting might determine.” The meeting was well attended, and expressed its unanimous resolve to persist in maintaining the existing rights rather than submit to the coercion of the State; but, at the same time, stating its willingness to listen to reasonable terms of compromise, should they be proposed to them. The following is the text of the resolutions passed:—

1ST RESOLUTION.

“That this Meeting, while congratulating the Virginia Committee of Bondholders of the Corporation of Foreign Bondholders upon the successful issue of the long litigation for the establishment of the tax-receivability of the Coupons, recognises that the unexpected refusal on the part of the State to acquiesce in the decision of the Supreme Court involves renewed efforts for the adequate

“enforcement of the rights of the Bondholders, and it
 “recommends accordingly that an additional assessment
 “should be levied on the Bonds to enable the Committee
 “to take such further steps as it may deem advisable under
 “the circumstances.”

2ND RESOLUTION.

“That this Meeting deplores the long contest into which
 “the Bondholders have been forced for the maintenance of
 “their rights, and whilst asserting its steadfast determina-
 “tion not to accept the Riddleberger Settlement, which in
 “view of the admitted ability of Virginia to settle with
 “her creditors, and the sacrifices they have already made
 “on her behalf, it considers dishonest and unjust, hereby
 “expresses its willingness to meet the State, and entertain
 “a reasonable compromise based upon the present taxation
 “and the available revenue after providing for the Consti-
 “tutional appropriation for Government, schools, and other
 “public expenditure.”

Although these Resolutions have not, so far, been met by the Government in the manner in which it was expected, the Committee are not without hope that the growing revulsion in public opinion in favour of the Bondholders will result before long in a favourable change of policy.

In pursuance of these Resolutions, the Committee determined to take some steps to make known in Virginia the rights of taxpayers to the use, and facilitate the sale, of Coupons. Mr. J. P. Cooper was accordingly authorised to proceed to Virginia, since when he has been actively engaged in prosecuting the object in view; and although it would be premature to estimate the measure of his success, it may be estimated that about 25 per cent. of the taxes paid on December 1st, 1886, have been discharged in Coupons, and

that a still larger percentage of those which have yet to be collected in the Spring, will be paid in the same medium. Agents have been established in most of the large towns for the purpose of furnishing Coupons to taxpayers in their neighbourhood, and affording them the necessary guarantee of legal protection in case of molestation by the State officials. The Committee gladly bear testimony to the assistance and encouragement rendered to Mr. Cooper by many of the better class of the community in Virginia, in the prosecution of his mission.

In further pursuance of the Resolutions passed at the Bondholders' meeting on September 24th, the Committee decided to take steps to call in the various classes of Bonds on a Memorandum of Deposit, and issue certificates in exchange for them, on the payment of an assessment fixed at one per cent. on "Consols," and $\frac{1}{2}$ per cent. on the "Ten-Forties," being the same as that for the previous registration, begun in 1882. The advertisements calling on Bondholders to lodge their Bonds were published on December 11th, and the deposit is now being carried on at Messrs. Martin and Co.'s, of 68, Lombard Street. The response made by the Bondholders to this appeal has so far been satisfactory.

The present disposition of the public mind in Virginia, which operates so considerably to the detriment of the rights of the Bondholders, is largely due to the extraordinary activity of the politicians, supported by the principal organs in the Press; and although the Committee recognise the support which the cause of honesty is now receiving at the hands of the more respectable journals in Virginia, they will not neglect, if circumstances should require it, to take steps to lay their case fairly before the Citizens of

Virginia, in the hope of counteracting the fallacies and misrepresentations which are so industriously disseminated by those whose interest it is to keep the Debt Question unsettled.

LIBRARY.

The Council are again indebted to the Governments of Belgium, Canada, Egypt, France, Guatemala, Luxembourg, Mexico, New South Wales, Paraguay, Russia, Turkey, the United States of America, Venezuela, and Victoria, for their liberal and valuable contributions to the Library of the Corporation, of Official Publications upon the financial and commercial situation of their respective countries.

PRINCIPAL LOANS IN DEFAULT IN 1886-7.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
COLOMBIA.			
4½ % of 1873	£1,913,500	<div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; vertical-align: middle;"> Oct. 1st, 1879 (27th Coupon) 1st July, 1887 (58th Coupon) </div> </div> </div>	£727,130
Do.	10,345	Sundry Certificates for unpaid Coupons.	
	£1,923,845		£727,130

NOTE.—There are also some old securities in circulation, the conversion of which, under the earlier arrangements, has been omitted,

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
FORMER CONFEDERATE STATES.			
7 % of 1863 (Cotton Loan) } ...	£2,418,800	..... { 1st Sept., 1865 1st March, 1887 } ...	£3,724,952
ECUADOR.			
1 % of 1855	£1,824,000	..... { 1st May, 1868 1st May, 1887 } ...	£355,680
GUATEMALA.			
5 % of 1856	£70,600	..... { 1st Feb., 1876 1st Feb., 1887 } ...	£40,595
6 % of 1869	468,600	{ Two-thirds of 1st April, 1876 1st April, 1887 } ...	318,648
5 % of 1863*	11,000	..... { 1st Feb., 1864 1st Feb., 1887 } ...	12,375
	<u>£550,200</u>		<u>£371,618</u>
* The Bonds of 1863 were privately issued for the construction of roads, piers, bridges, &c.			
HONDURAS.			
5 % of 1867	£78,800	..... { 1st April, 1873 1st April, 1887 } ...	£57,130
10 % of 1867	900,700	..... { 1st Jan., 1873 1st Jan., 1887 } ...	1,306,015
6½ % of 1869	2,176,570	..... { 1st Mar., 1873 1st Mar., 1887 } ...	2,104,018
10 % of 1870	2,242,500	..... { 1st Jan., 1873 1st Jan., 1887 } ...	3,251,625
	<u>£5,398,570</u>		<u>£6,718,788</u>
LIBERIA.			
7 % of 1871	£100,000	... { 1st Aug., 1874 1st Feb., 1887 } ...	£91,000
LOUISIANA.			
7 % Consolidated of 1874 Certificates of Claim (\$5 = £1)...	<u>£184,432</u>	... — — — — —	<u>—</u>

NOTE.—Issued under notarial protests by the Council of Foreign Bondholders in London, in accordance with the resolutions of May, 1875, for the loss of 40 % principal involved in the conversion of the corresponding amount of Bonds (held in England) under the Funding Act of January, 1874.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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MISSISSIPPI.

6 % of 1831-3 (A.)	£400,000	{ 1st March, 1841 }	... £1,116,000
5 % of 1838 (B.)	1,000,000	{ 1st March, 1887 }	... 2,325,000
		Do.	
	<u>£1,400,000</u>		<u>£3,441,000</u>

NOTES.—(A.) “Planters’ Bank” Bonds. (B.) “Union Bank Bonds.

PERU.

5 % of 1869	£264,680	{ 1st Jan., 1876 }	..	£152,191
		{ 1st Jan., 1887 }		
(Pisco to Yca Railroad) (A.)				
6 % of 1870	11,141,580	Do.	(B.)	7,687,690
5 % of 1872 (D.)	20,437,500	Do.	(C.)	11,751,563
	<u>£31,843,760</u>			<u>£19,591,444</u>

NOTES.

(A.) These Bonds (including overdue interest) have been sold by the Pisco to Yca Railway Committee to the Peruvian Bondholders Committee, at par, under the agreement of 8th May, 1885, and the first instalment of 34 per cent. has been paid thereon.

(B.) Less 4s. 9d. per cent. paid on registered Bonds in September, 1885, by the Peruvian Bondholders’ Committee.

(C.) Less 4s. 5d. per cent. paid on registered Bonds in September, 1885, by the Peruvian Bondholders’ Committee.

(D.) This amount is exclusive of £13,585,000 of Bonds deposited in the Bank of England against the unconverted 6 % Bonds of 1870.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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SANTO DOMINGO.

6 per Cent. of 1869	<u>£714,300</u>	{ 1st Jan., 1873 }	<u>£621,441</u>
		{ 1st Jan., 1887 }	

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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VIRGINIA.

(THE FISCAL YEAR ENDING 30TH SEPTEMBER, 1886.)

I. Funded Debt:—

6 per Cent. Tax Consols, issued under Act 30th March, 1871	\$14,231,910.36	Sundry dates to 1st Jan., 1887, inclusive	\$3,360,599.24
10/40 years' Tax Consols, issued under Act 28th March, 1879	7,403,300.00	Do.	756,879.00
6 per Cent. "Peelers," issued under Act 7th March, 1872	897,684.41	Do.	321,070.12

II. Bonds and Certificates
issued under Acts prior
to 17th April, 1861,
and under Act 2nd
March, 1886, computed
as funded at two-thirds
on account of the de-
duction for West Vir-
ginia's proportion, viz.:

6 per Cent. Unfunded Dollar Bonds, at two- thirds	1,759,424.61	} Do. }	2,135,659.85
5 per Cent. Unfunded Sterling Bonds, at two- thirds	629,090.97		

Total Virginia Debt, issued under Acts prior to 14th February, 1882, Act	\$24,921,410.35	Interest in default	\$6,574,208.21
West Virginia's one-third, as apportioned 1st July, 1871	15,239,370.74	Not yet recognised by West Virginia.	
	<u>\$40,160,781.09</u>		<u>\$6,574,208.21</u>

NOTES:—1. The above Debt is in total default; but since the Act of 23rd February, 1867, full interest in the face value of all Bonds and Stocks held by Colleges in the State, has continued to be paid in cash. These Colleges held on 30th September, 1886 an amount of \$1,504,971.82 in 6 per cent. and 10/40 Tax Consols and Peelers, and \$870,096.42 in Unfunded Bonds, including \$102,100 Old James River Co., and James River and Kanawha Stock.

2. In addition to the above Debt, Virginia issued under the Acts of 14th February, 1882, and 29th November, 1884, the so-called "Riddleberger" Bonds, on which the 3 per cent. interest is being paid. On the 30th

September, 1886, there were \$2,872,319.52 of such Bonds in the hands of the public, and the Government hold also \$2,242,043.60 Riddlebergers under the Sinking Fund Acts of 15th March and 25th August, 1884, \$153,000 for the Board of Public Works, and \$1,179,127.28 on behalf of the Literary Fund. Total, \$3,574,170.88 Riddleberger Bonds held by the Government.

3. *The interest maturing on the Bonds in Default, after 1st January, 1885, has been declared forfeited by the State, and is omitted in the published official reports.*

4. The Tax Consols held in England have been registered by the Council of Foreign Bondholders, to provide a fund for the defence of their rights against the State.

SUMMARY OF PRINCIPAL LOANS IN DEFAULT IN 1886-7.

STATES.	Approximate Principal Outstanding.	Approximate Interest Arrears.
	£	£
COLOMBIA	1,923,845	727,130
FORMER CONFEDERATE STATES...	2,418,800	3,724,952
ECUADOR	1,824,000	355,680
GUATEMALA	540,200	365,868
HONDURAS	5,398,570	6,718,788
LIBERIA	100,000	91,000
LOUISIANA (CERTIFICATES) ...	184,432	—
MISSISSIPPI	1,400,000	3,441,000
PERU	31,843,760	19,591,444
SANTO DOMINGO	714,300	621,441
VIRGINIA (AT \$5 PER £1)... ..	4,984,282	1,314,842
WEST VIRGINIA'S ONE-THIRD DO.	3,047,874	—
Total	£54,380,063	£36,952,145